LINDQUIST&VENNUM PLLP

Minneapolis • Denver

**Erin E. Daniels**
(612) 371-3909
edaniels@lindquist.com

4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2274
Fax: (612) 371-3207

July 21, 2009

South Dakota Secretary of State
State Capitol, Suite 204
Business Division-Bond Information Statement Filing
500 East Capitol
Pierre, SD 57501-5070

**Re: $20,265,000 City of Sioux Falls, South Dakota Sales Tax Revenue Bonds, Series 2009A**

Dear Filing Officer:

Enclosed for filing is a Bond Information Statement for the above-referenced transaction, together with a check for the $1.00 filing fee. A copy of the Official Statement for the above-referenced offering is also enclosed for your reference.

Please return acknowledgment of filing at your earliest opportunity. If you have any questions, please call me at (612) 371-3909.

Very truly yours,

Erin E. Daniels

Erin E. Daniels
Legal Assistant

Enclosure

RECEIVED
JUL 22 2009
S.D. SEC. OF STATE

LINDQUIST&VENNUM PLLP

Minneapolis • Denver

**Erin E. Daniels**
(612) 371-3909
edaniels@lindquist.com

4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2274
Fax: (612) 371-3207

July 23, 2009

Ms. Judy Larson
South Dakota Secretary of State
State Capitol, Suite 204
Business Division-Bond Information Statement Filing
500 East Capitol
Pierre, SD 57501-5070

**Re: $20,265,000 City of Sioux Falls, South Dakota Sales Tax Revenue Bonds, Series 2009A**

Dear Filing Officer:

Per our conversation, enclosed for filing please find a check in the amount of $9.00 to pay for the filing fee (in addition to the $1.00 already sent) for the Bond Information Statement in the above-referenced transaction. Please return acknowledgment of filing at your earliest opportunity.

Thank you. Your assistance has been much appreciated. If you have any questions, please call me at (612) 371-3909.

Very truly yours,

Erin E. Daniels

Erin E. Daniels
Legal Assistant

Enclosure

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BOND INFORMATION STATEMENT
State of South Dakota
SDCL 6-8B-19

Return:

Secretary of State
State Capitol
500 E. Capitol
Pierre, SD 57501-5077

FILING FEE: $1.00

TELEPHONE: (605) 773-3537

Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of issuer: City of Sioux Falls, South Dakota

2. Designation of issue: Sales Tax Revenue Bonds, Series 2009A

3. Date of issue: July 21, 2009

4. Purpose of issue: See attachment.

5. Type of bond: Sales Tax Revenue

6. Principal amount and denomination of bond: $20,265,000 in $5,000 denominations

7. Paying dates of principal and interest: May 15 and November 15 commencing November 15, 2009

8. Amortization schedule: See Official Statement.

9. Interest rate or rates, including total aggregate interest cost: See Official Statement.

This is to certify that the above information pertaining to the bond is true and correct on this 21st day of July, 2009.

Eugene Bowenhorst
City Finance Director

RECEIVED
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1932652

ATTACHMENT
TO
BOND INFORMATION STATEMENT

THE COSTS OF CONSTRUCTION AND EQUIPPING OF THE WESTSIDE BRANCH LIBRARY TO BE LOCATED WEST OF INTERSTATE HIGHWAY I-29, IMPROVEMENTS ON AND EQUIPPING OF THE RIVER GREENWAY, CONSTRUCTION AND EQUIPPING OF THE YOUTH SPORTS COMPLEX TO BE LOCATED AT THE INTERSECTION OF WESTPORT AVENUE AND BENSON ROAD AND IMPROVEMENTS AND EQUIPMENT FOR THE CITY'S ZOO

**NEW ISSUE / BOOK ENTRY ONLY** **Rating: Moody's "Aa3"**

*In the opinion of Lindquist & Vennum P.L.L.P., Bond Counsel, according to federal laws, regulations, rulings and decisions in effect on the date of issuance of the Series 2009A Bonds, the interest to be paid on the Series 2009A Bonds is not includable in gross income for federal income tax purposes except under certain conditions. Interest paid on Series 2009A Bonds is not an item of tax preference includable for purposes of computing the alternative minimum tax applicable to all taxpayers, including individuals, under the Internal Revenue Code of 1986 (the "Code"), however, interest paid on the Series 2009A Bonds is not includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax.. Interest on the Series 2009A Bonds is includable in gross income for South Dakota income tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. See "TAX MATTERS", herein.*

# $20,265,000
# CITY OF SIOUX FALLS, SOUTH DAKOTA
## SALES TAX REVENUE BONDS
## SERIES 2009A

**Dated Date: Date of Delivery**

**Due: November 15, as shown on the inside front cover**

The $20,265,000 Sales Tax Revenue Bonds, Series 2009A (the "Series 2009A Bonds") are being issued by the City of Sioux Falls, a political subdivision of the State of South Dakota (the "City"), pursuant to an Indenture of Trust, dated as of August 15, 1988, as amended and supplemented, including a Fourteenth Supplemental Indenture, dated as of July 1, 2009 (as so amended and supplemented, the "Indenture"), between the City and The First National Bank in Sioux Falls, Sioux Falls, South Dakota (the "Trustee"), to finance (i) the construction and equipping of the Westside Branch Library to be located West of Interstate Highway I-29, improvements on and equipping of the River Greenway, construction and equipping of the Youth Sports Complex to be located at the intersection of Westport Avenue and Benson Road, and improvements and equipment for the City's zoo (the "Projects"), (ii) to fund a deposit to the Series 2009A Reserve Fund and (iii) to pay the costs of issuance of the Series 2009A Bonds.

The Series 2009A Bonds are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2009A Bonds. Purchases of beneficial ownership interests in the Series 2009A Bonds will be made in book-entry form only, in principal amounts of $5,000 or whole multiples thereof. Beneficial owners of the Series 2009A Bonds will not receive bond certificates evidencing their ownership interests in the Series 2009A Bonds. So long as DTC or its nominee is the registered owner of the Series 2009A Bonds, payments of principal, redemption price and interest will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants.

Principal of the Series 2009A Bonds will be payable annually on November 15, as shown on the inside front cover of this Official Statement. Interest on the Series 2009A Bonds is payable on each May 15 and November 15, commencing November 15, 2009. The Trustee will act as Registrar, Transfer Agent and Paying Agent.

The Series 2009A Bonds are subject to redemption prior to maturity. See "The Series 2009A Bonds – Optional Redemption."

THE SERIES 2009A BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE COLLECTIONS OF CERTAIN SALES TAXES DESCRIBED HEREIN, WHICH HAVE BEEN IRREVOCABLY PLEDGED TO THE PAYMENT THEREOF, AND FROM CERTAIN OTHER MONEYS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. THE SERIES 2009A BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, THE STATE OF SOUTH DAKOTA OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF SOUTH DAKOTA.

**TRUSTEE/REGISTRAR/PAYING AGENT:** The First National Bank in Sioux Falls

**NOT BANK QUALIFIED:** The Series 2009A Bonds are not designated "Qualified Tax-Exempt Obligations."

**LEGAL OPINION:** Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota

An account group managed by **Robert W. Baird & Co., Inc.** has agreed to purchase the Series 2009A Bonds from the City for the purchase price of **$20,205,734.71.** The Series 2009A Bonds will be available for delivery on or about July 21, 2009.

The date of this Official Statement is July 7, 2009.

---

*(THIS PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION).*

**ROBERT W. BAIRD & CO., INC.**

**STIFEL, NICOLAUS & COMPANY, INC.**
**C.L. KING & ASSOCIATES**
**WILLIAM BLAIR & COMPANY, L.L.C**
**LOOP CAPITAL MARKETS**
**EDWARD D. JONES & CO.**

**DAVENPORT & CO. L.L.C.**
**WACHOVIA SECURITIES**
**VINING-SPARKS IBG, LIMITED PARTNERSHIP**
**KILDARE CAPITAL, INC.**
**CRONIN & CO., INC.**

## MATURITY SCHEDULE

Series 2009A Bonds

| MATURITY | AMOUNT | INTEREST RATE | YIELD | CUSIP |
|---|---|---|---|---|
| 2011 | $ 825,000 | 3.000% | 1.300% | 829594 GH7 |
| 2012 | 845,000 | 3.000% | 1.550% | 829594 GJ3 |
| 2013 | 875,000 | 3.000% | 2.000% | 829594 GK0 |
| 2014 | 900,000 | 3.000% | 2.450% | 829594 GL8 |
| 2015 | 925,000 | 3.000% | 2.700% | 829594 GM6 |
| 2016 | 955,000 | 4.000% | 3.000% | 829594 GN4 |
| 2017 | 990,000 | 4.000% | 3.240% | 829594 GP9 |
| 2018 | 1,030,000 | 4.000% | 3.450% | 829594 GQ7 |
| 2019 | 1,070,000 | 4.000% | 3.650% | 829594 GR5 |
| 2020 | 1,115,000 | 4.000% | 3.850% | 829594 GS3 |
| 2021 | 1,160,000 | 4.000% | 4.000% | 829594 GT1 |
| 2022 | 1,205,000 | 4.000% | 4.140% | 829594 GU8 |
| 2023 | 1,255,000 | 4.125% | 4.240% | 829594 GV6 |
| 2024 | 1,305,000 | 4.250% | 4.330% | 829594 GW4 |
| 2025 | 1,360,000 | 4.250% | 4.410% | 829594 GX2 |
| 2026 | 1,420,000 | 4.375% | 4.500% | 829594 GY0 |
| 2027 | 1,480,000 | 4.500% | 4.580% | 829594 GZ7 |
| 2028 | 1,550,000 | 4.500% | 4.670% | 829594 HA1 |

# TABLE OF CONTENTS


SUMMARY ..... 1

OFFICIAL STATEMENT ..... 2

INTRODUCTORY STATEMENT ..... 2
- General ..... 2
- Sales Taxes ..... 3
- Miscellaneous ..... 3

THE CITY ..... 4
- General ..... 4

THE PROJECTS ..... 4

SOURCES AND USES OF FUNDS ..... 4

THE SERIES 2009A BONDS ..... 5
- Interest Rates; Maturity Dates and Payment ..... 5
- Optional Redemption ..... 5
- Exchange and Transfer ..... 5
- Replacement ..... 5
- Notice of Redemption ..... 6

PARITY ISSUES ..... 6
- Additional Bonds ..... 7
- Subordinate Lien Obligations ..... 8

SECURITY FOR THE SERIES 2009A BONDS ..... 8
- 2009A Debt Service Reserve Fund ..... 8
- Pledged Sales Taxes and the Indenture ..... 9
- Sales Tax ..... 9
- Use Tax ..... 10
- Pending Initiative Petition to Reduce Sales Tax ..... 10
- Historical Collections of Pledged Sales Taxes ..... 11

DEBT SERVICE COVERAGE ..... 12

THE INDENTURE ..... 13
- Bond Fund ..... 13
- Debt Service Reserve Fund ..... 13
- Capitalized Interest Fund ..... 14
- Investment of Funds ..... 14
- Pledged Sales Taxes Covenants and Representations ..... 14
- Pledged Sales Taxes ..... 16
- Defaults and Remedies ..... 16
- Modifications ..... 17

CONTINUING INFORMATION ..... 18

TAX MATTERS ..... 19
- Original Issue Premium ..... 20
- Original Issue Discount ..... 20

ENFORCEABILITY OF OBLIGATIONS ..... 21

RATING ..... 22

MISCELLANEOUS ..... 22

UNDERWRITING ..... 22

FINANCIAL ADVISOR ..... 22

CERTIFICATES CONCERNING OFFICIAL STATEMENT ..... 23

Appendix A – City of Sioux Falls, South Dakota
Appendix B – Excerpts from the City's 2008 Audits
Appendix C – Form of Opinion of Bond Counsel
Appendix D – Book-Entry Only System
Appendix E – Summary of Continuing Disclosure

(This page has been left blank intentionally.)

# SUMMARY

This is not a summary of the entire Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2009A Bonds to potential investors is made only by means of the entire Official Statement and all such documents.

| | |
|---|---|
| Issuer | City of Sioux Falls, South Dakota |
| Issue | $20,265,000 Sales Tax Revenue Bonds, Series 2009A |
| Dated Date | Date of Delivery |
| Principal Due | November 15, 2011 through November 15, 2028 |
| Interest Payment Date | Commencing November 15, 2009 and on each May 15 and November 15 thereafter. |
| Redemption Provision | At the option of the City, the Series 2009A Bonds maturing on November 15, 2020 and thereafter shall be subject to redemption in whole or in part by lot on November 15, 2019 or on any date thereafter at par plus accrued interest to the date of redemption. |
| Purpose | The proceeds of the Series 2009A Bonds will be to finance (i) the construction and equipping of the Westside Branch Library to be located West of Interstate Highway I-29, improvements on and equipping of the River Greenway, construction and equipping of the Youth Sports Complex to be located at the intersection of Westport Avenue and Benson Road, and improvements and equipment for the City's zoo (the "Projects"), (ii) to fund a deposit to the Series 2009A Debt Service Reserve Fund and (iii) to pay the costs of issuance of the Series 2009A Bonds. |
| Security | The City pledges the Second Penny Tax. Pursuant to the Fourteenth Supplemental Indenture, the City will establish and is required to maintain a Series 2009A Debt Service Reserve Fund for the benefit of the Series 2009A Bonds, funded in an amount equal to the Series 2009A Debt Service Reserve Requirement. (See "SECURITY FOR THE SERIES 2009A BONDS"). |
| Authority | The Series 2009A Bonds are being issued pursuant to South Dakota Codified Laws, Chapters 10-52 and 6-8B, as amended, the City Charter and an ordinance adopted by the City Council on May 18, 2009. |
| Tax Exemption | Interest on the Series 2009A Bonds is excludable from gross income for federal income tax purposes. (See "LEGAL MATTERS" herein.) |
| Trustee | The First National Bank in Sioux Falls, Sioux Falls, South Dakota |
| Record Date | The first day of the month including such payment date. |
| Delivery Date and Place | On or about July 21, 2009 through the facilities of DTC in New York, New York |
| Denominations | The Series 2009A Bonds will be issued in denominations of $5,000 each and integral multiples thereof. |
| Continuing Disclosure | The City will covenant to provide annual reports and timely notice of certain events all as set forth in the Continuing Disclosure Agreement. (See Appendix E) |

# OFFICIAL STATEMENT

## $20,265,000

## CITY OF SIOUX FALLS, SOUTH DAKOTA
## SALES TAX REVENUE BONDS, SERIES 2009A

## INTRODUCTORY STATEMENT

The following is a brief introduction as to matters discussed elsewhere in this Official Statement and is qualified in its entirety by such further discussion and the text of the actual documents described or referenced.

### General

This Official Statement provides information regarding the Sales Tax Revenue Bonds, the Series 2009A Bonds (the "Series 2009A Bonds") (the Series 2009A Bonds, together with the hereinafter described SRF Loans, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2008A Bonds and any Additional Bonds which may hereafter be issued, as described under "PARITY ISSUES," are collectively referred to herein as the "Bonds") to be issued in the aggregate principal amount of $20,265,000 by the City of Sioux Falls, a political subdivision of the State of South Dakota (the "City"). See "THE CITY." The Series 2009A Bonds will be issued pursuant to an Indenture of Trust, dated as of August 15, 1988, as amended and supplemented by a First Supplemental Indenture, dated as of September 1, 1991, a Second Supplemental Indenture, dated as of December 1, 1991, a Third Supplemental Indenture, dated as of December 15, 1993, a Fourth Supplemental Indenture, dated as of November 1, 1996, a Fifth Supplemental Indenture, dated as of December 15, 1996, a Sixth Supplemental Indenture, dated as of September 1, 1999, a Seventh Supplemental Indenture, dated as of March 1, 2001, an Eighth Supplemental Indenture, dated as of April 15, 2004, a Ninth Supplemental Indenture, dated as of March 2, 2006, a Tenth Supplemental Indenture, dated as of April 10, 2006, an Eleventh Supplemental Indenture, dated as of May 1, 2007, a Twelfth Supplemental Indenture, dated as of December 1, 2007, a Thirteenth Supplemental Indenture, dated as of January 1, 2008, and a Fourteenth Supplemental Indenture, dated as of July 1, 2009, as amended and supplemented (as so amended and supplemented, the "Indenture"), between the City and The First National Bank in Sioux Falls, in Sioux Falls, South Dakota (together with its successors and assigns the "Trustee"), for the purpose of financing (i) the construction and equipping of the Westside Branch Library to be located West of Interstate Highway I-29, improvements on and equipping of the River Greenway, construction and equipping of the Youth Sports Complex to be located at the intersection of Westport Avenue and Benson Road, and improvements and equipment for the City's zoo (the "Projects"), (ii) to fund a deposit to the Series 2009A Debt Service Reserve Fund and (iii) to pay the costs of issuance of the Series 2009A Bonds.

The Series 2009A Bonds are special limited obligations of the City payable solely from a pledge of the sales tax revenues, as described herein. Neither the faith and credit nor the general taxing power of the State of South Dakota, any county, municipality, political subdivision or

governmental unit or agency thereof or of the City is or shall be pledged to the payment of or interest on the Series 2009A Bonds.

**Sales Taxes**

The City levies (i) a non ad valorem tax as defined in Sections 39-16 and 39-47 of the Revised Ordinances of the City, and Ordinance Nos. 70-03, 14-04, 26-06 and 116-08 codified as Sections 39-16.1 and 39-47.1 of the Revised Ordinances of the City (the "Second Penny Sales Tax Ordinance") imposing an additional sales and use tax authorized by South Dakota Codified Laws Chapter 10-52 at the rate of 1% (the "Second Penny Tax") and (ii) an additional municipal retail occupational sales and service tax of one percent (1%) on the gross receipts of certain entertainment-related business activities (the "Third Penny Tax"). The Second Penny Tax constitutes the Pledged Sales Taxes. The Third Penny Tax is not pledged to the payment of the Series 2009A Bonds. See "DEBT SERVICE COVERAGE" herein regarding the pledges of the Second Penny Tax.

Under the Indenture, the City will sign and pledge to the Trustee, for the benefit of Bondholders, so much of the collections of the Pledged Sales Taxes in each year as are necessary for the payment of the principal of, premium, if any, and interest on the Bonds. The City has covenanted to continue to impose and collect the Pledged Sales Taxes so long as any Bonds are outstanding. The City has also covenanted in the Indenture that if at any time the proceeds of Pledged Sales Taxes are not sufficient to pay when due all debt service on the Bonds the City shall nevertheless provide moneys to cure any such deficiency, but only to the extent that legally available funds are appropriated for such purpose by the City's governing body. The governing body of the City is not obligated to appropriate funds to cure a deficiency.

**Miscellaneous**

Summaries and descriptions of the City, the Projects, the Series 2009A Bonds, the Indenture and certain other documents are included in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute or instrument. Descriptions of the Indenture and the Series 2009A Bonds are also qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity with jurisdiction. The City has agreed to provide certain continuing disclosure information after the issuance of the Series 2009A Bonds as more fully described under "CONTINUING INFORMATION" below.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2009A Bonds. The statements of the City herein are not to be construed as statements by any official, officer or employee of the City.

## THE CITY

### General

Sioux Falls is located in southeastern South Dakota and is the county seat of Minnehaha County. The City is the largest in South Dakota with an estimated MSA population of 231,400, and serves as a retail trade center for an estimated 750,000 people in southwestern Minnesota, northwestern Iowa and eastern South Dakota. Approximately 73.24 square miles are encompassed within the City.

For general information concerning the City, its general finances, sources of revenue, outstanding obligations, taxes and property values, see "APPENDIX A" attached.

## THE PROJECTS

The proceeds of the Series 2009A Bonds will be used to finance (i) the construction and equipping of the Westside Branch Library to be located West of Interstate Highway I-29, improvements on and equipping of the River Greenway, construction and equipping of the Youth Sports Complex to be located at the intersection of Westport Avenue and Benson Road, and improvements and equipment for the City's zoo (the "Projects"), (ii) to fund a deposit to the Series 2009A Debt Service Reserve Fund and (iii) to pay the costs of issuance of the Series 2009A Bonds.

## SOURCES AND USES OF FUNDS

The estimated sources for and application of funds in connection with the 2009A Projects are as follows:

| Sources | |
|---|---|
| Series 2009A Bonds | $20,265,000 |
| Net Premium | 216,452 |
| Total Sources | $20,481,452 |

| Uses | |
|---|---|
| 2009A Project Costs | $17,450,081 |
| 2009A Debt Service Reserve Fund | 1,620,606 |
| 2009A Capitalized Interest | 1,047,548 |
| Costs of Issuance and Underwriter's Discount | 363,217 |
| Total Uses | $20,481,452 |

## THE SERIES 2009A BONDS

### Interest Rates; Maturity Dates and Payment

The Series 2009A Bonds are being issued in the aggregate principal amount of $20,265,000 and will mature as set forth on the inside front cover hereof. All Series 2009A Bonds will bear interest at the rates set forth on the inside cover hereof, payable semiannually on May 15 and November 15 (each an "Interest Payment Date") of each year commencing November 15, 2009. Interest will be calculated on the basis of a 360-day year with twelve months of thirty days.

The Series 2009A Bonds will be issued as fully registered bonds without interest coupons in the denomination of $5,000 or whole multiples thereof. The Series 2009A Bonds will be payable as to principal, whether upon maturity or redemption, at the principal office of the Trustee. If any payment of interest or principal is due on a day that is not a business day, payment is required to be made on the next succeeding business day with the same effect as if paid when otherwise due. Interest shall be payable by check or draft mailed on the Interest Payment Date to the persons who were registered owners thereof as of the first day of the month in which the Interest Payment Date occurs.

### Optional Redemption

The Series 2009A Bonds maturing on or after November 15, 2020, are subject to redemption, in whole or in part in inverse order of maturity and by lot within any one maturity, on any date on or after November 15, 2019, at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

Such redemption may be made from moneys received due to the exercise by the City of its option to prepay the Series 2009A Bonds, including any moneys transferred from the Bond Fund for this purpose.

### Exchange and Transfer

If the book-entry only system hereinafter described is not in effect, the Bonds shall be transferable and exchangeable for other denominations only upon the books of the Trustee and only upon presentation and surrender of such Bonds, together with an executed assignment or other acceptable transfer instrument, subject to the payment of any cost, tax or charge that may be imposed in connection therewith. Bonds called for redemption are not required to be transferred or exchanged.

### Replacement

If any Bond is mutilated, lost, stolen or destroyed, the City shall execute and the Trustee shall authenticate and deliver, subject to the provisions of the Indenture, a new Bond of like date and denomination. In the case of a lost, stolen or destroyed Bond, the City and the Trustee may require satisfactory indemnification. In the case of a mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee. For every such exchange of Bonds, the Trustee may charge the owner of such Bond the Trustee's reasonable fees and expenses with respect to the exchange.

**Notice of Redemption**

With respect to any redemption, the Trustee is required to cause notice of the redemption to be mailed to the registered owner of each Bond to be redeemed (whether in whole or in part), by first class mail, not less than 30 days prior to the redemption date with a copy of such notice to be mailed to each Paying Agent; provided that notice shall be given to any securities depository in accordance with its operational arrangements. Failure to give, or any defect in any mailed notice, shall not affect the validity of any proceedings for the redemption of any Bonds not affected by such failure or defect. In the case of redemption of less than all of the outstanding Bonds, Bonds to be redeemed shall be selected by DTC in accordance with its operational arrangements, or if the book-entry only system is not in effect, by the Trustee by lot, in such manner as the Trustee in its discretion may determine.

## PARITY ISSUES

The City has heretofore issued $19,480,000 Sales Tax Revenue Bonds, Series 1991B, dated as of December 1, 1991 (the "Series 1991B Bonds"), $36,665,000 Sales Tax Revenue Bonds, Series 1993, dated December 15, 1993 (the "Series 1993 Bonds"), $15,395,000 Sales Tax Revenue Bonds, Series 1996A, dated December 15, 1996 (the "Series 1996A Bonds"), $24,320,000 Sales Tax Revenue Bonds, Series 1996B, dated December 15, 1996 (the "Series 1996B Bonds"), $8,165,000 Sales Tax Revenue Bonds, Series 1999, dated September 1, 1999 (the "Series 1999 Bonds"), $10,995,000 Sales Tax Revenue Bonds, Series 2001A, dated March 1, 2001, (the "Series 2001A Bonds"), $17,245,000 Sales Tax Revenue Bonds, Series 2001B, dated March 1, 2001 (the "Series 2001B Bonds"), $8,135,000 Sales Tax Revenue Refunding Bonds, Series 2004, dated April 15, 2004 (the "Series 2004 Bonds"), $10,550,000 Sales Tax Revenue Bonds, Series 2006A, dated March 2, 2006 (the "Series 2006A Bonds"), $10,323,000 Sales Tax Revenue Bonds, Series 2006B, dated April 10, 2006 (the "Series 2006B Bonds"), $65,405,000 Sales Tax Revenue Bonds, Series 2007A-1, $4,595,000 Sales Tax Revenue Bonds, Series 2007A-2, dated May 22, 2007 (the "Series 2007A Bonds), $25,570,000 Sales Tax Revenue Bonds, Series 2007B (the "Series 2007B Bonds") and $5,000,000 Sales Tax Revenue Bonds, Series 2008A Bonds (the "Series 2008A Bonds") under the Indenture. The City has issued certain notes in connection with the State Revolving Fund ("SRF") loan program, including its Sales Tax Revenue Note, dated May 24, 1990, in the original principal amount of $3,316,310, pursuant to a Loan Agreement, dated as of May 24, 1990, between the South Dakota Conservancy District and the City (the "1990 SRF Loan") and its Sales Tax Revenue Note, dated November 3, 1994, in the original principal amount of $1,500,000, pursuant to a Loan Agreement dated as of November 3, 1994, between the South Dakota Conservancy District and the City (the "1994 SRF Loan") (collectively the 1990 SRF Loan and the 1994 SRF Loan are referred to as the "SRF Loans"). The Series 1991B Bonds, the Series 1993 Bonds, the 1994 SRF Loan, the Series 1996A Bonds, the Series 1996B Bonds, the Series 1999 Bonds and the Series 2004 Bonds have been paid or defeased. The Series 2009A Bonds, Series 2008A Bonds, Series 2007B Bonds, Series 2007A Bonds, Series 2001A Bonds, Series 2001B Bonds, Series 2004 Bonds, Series 2006A Bonds, Series 2006B Bonds and SRF Loans are payable on a parity as to principal, premium, if any, and interest, from the Second Penny Tax; provided, however, that the principal of, premium, if any, and interest on the Series 2001B Bonds and the Series 2004 Bonds ("Third Penny Tax Bonds"), issued pursuant to the Act for projects of the type described in Section 10-52-8 of the Act ("Third Penny Tax Projects"), shall be payable first from any Net

Revenues produced as a result of the Third Penny Tax and then revenues produced as a result of the Second Penny Tax will be used for the payment of the principal of, premium, if any, and interest on the Series 2001B Bonds and the Series 2004 Bonds only if the Third Penny Tax Net Revenues available therefor are insufficient. "Net Revenues" means the gross revenues produced by the Third Penny Tax less the amount of the Third Penny Tax Revenues necessary to pay the operating expenses of the project financed with such proceeds and any other Third Penny Tax Project for which Third Penny Tax Bonds are issued, after the payment of such operating expenses, to the extent possible, from the operating revenues of the project financed with such proceeds and such Third Penny Tax Project. The Net Revenues of the Third Penny Tax do not produced sufficient moneys to pay the debt service on the Series 2001B Bonds and the Series 2004 Bonds. See "Debt Service Coverage."

The principal of, premium, if any, and interest on the Series 2001A Bonds, the 2001B Bonds, the Series 2004 Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the 1990 SRF Loan, the Series 2007A Bonds, the Series 2007B Bonds, the Series 2008A Bonds, the Series 2009A Bonds and any other Additional Bonds ("Second Penny Tax Bonds") issued pursuant to the Act for projects of the type described in Section 10-52-2 of the Act ("Second Penny Tax Projects"), shall be payable from any revenues produced as a result of the Second Penny Tax. **The Series 2009A Bonds are not payable in any event from the proceeds of the Third Penny Tax.**

The deposits with the Trustee will be made by the City so as to satisfy the debt service requirement from the Pledged Sales Taxes and by its internal accounting and transfers of excess Pledged Sales Taxes, the City intends to satisfy the priority of use requirements set forth in the two preceding paragraphs.

**Additional Bonds**

The City may, from time to time, approve the issuance and delivery of Additional Bonds secured by the Indenture for the purpose of refunding any Bonds or to finance additional projects permitted by law. Each series of Additional Bonds must be authorized by a supplement to the Indenture establishing the terms thereof and providing for Pledged Sales Taxes or other revenues sufficient to pay the Additional Bonds and interest thereon. Each series of Additional Bonds shall be payable from the Pledged Sales Taxes and secured by the Indenture equally and ratably with all other Bonds issued and outstanding under the Indenture. The conditions for issuance of Additional Bonds under the Indenture are as follows:

(1) No payments due under the Indenture are then delinquent.

(2) No Event of Default under the Indenture exists and is uncorrected at the time.

(3) As shown by a certificate of the City Finance Director, the collections of the Second Penny Tax for each of the two full Fiscal Years of the City immediately preceding the date of issue of the Additional Bonds have been at least 150% of the maximum annual debt service in any future Fiscal Year on all Bonds and Additional Bonds then outstanding and the Additional Bonds proposed to be issued.

(4) As long as any Series 2001B Bonds and Series 2004 Bonds are outstanding, as shown by a certificate of the City Finance Director, the collections of the Second Penny Tax for the full Fiscal Year of the City immediately preceding the date of issue of the Additional Bonds have been at least 170% of the maximum annual debt service in any future Fiscal Year on all obligations secured by the Second Penny then outstanding and the Additional Bonds proposed to be issued; provided that the maximum annual debt service in any future Fiscal Year may be reduced by an amount equal to the lesser of (i) the collections of the Third Penny Tax for the full Fiscal Year of the City immediately preceding the date of issue of the Additional Bonds, or (ii) the scheduled debt service, for the full Fiscal Year of the City immediately preceding the date of issue of the Additional Bonds, on all obligations secured by the Third Penny then outstanding.

(5) The issuance of such Additional Bonds shall not adversely affect the tax-exempt status of any issue of Bonds then outstanding, as evidenced by an opinion of nationally recognized bond counsel.

The City has authorized the issuance of additional Sales Tax Bonds in an amount not to exceed $38,000,000 plus costs of issuance and debt service reserve funds with the terms and subject to provisions as set forth in the Sales Tax Indenture for the flood control project approved by the City Council on January 5, 2009.

**Subordinate Lien Obligations**

The Indenture permits the City to issue revenue bonds or other obligations secured by a pledge of the Pledged Sales Taxes if (i) such revenue bonds or other obligations are not issued under the Indenture, and (ii) their lien on the Pledged Sales Taxes is expressly made subordinate to the pledge thereof to the Bonds.

## SECURITY FOR THE SERIES 2009A BONDS

The Series 2009A Bonds are special limited obligations of the City and payments of principal, premium, if any, and interest related to the Series 2009A Bonds are secured solely by a pledge of the collections of the Pledged Sales Taxes and certain other amounts held under the Indenture by the Trustee. See "THE INDENTURE" and "PARITY ISSUES." The City has covenanted in the Indenture that if at any time the proceeds of Pledged Sales Taxes are not sufficient to pay when due all debt service on the Series 2009A Bonds, the City may nevertheless provide moneys to cure any such deficiency, but only to the extent of funds then legally available for that purpose, and then only if such legally available funds are appropriated for such purpose by the City's governing body. The governing body of the City is not obligated to appropriate funds to cure a deficiency. The Series 2009A Bonds are not general obligations of the City and the City's full faith and credit and taxing powers are not pledged to the payment thereof. The City is not obligated to levy any ad valorem taxes or to expend any moneys of the City to pay the Series 2009A Bonds, except the revenues specifically pledged under the Indenture.

**2009A Debt Service Reserve Fund**

Pursuant to the Fourteenth Supplemental Indenture, the City will establish and is required to maintain a Series 2009A Debt Service Reserve Fund for the benefit of the Series 2009A Bonds,

funded in an amount equal to the Series 2009A Debt Service Reserve Requirement for the Series 2009A Bonds. The City will initially fund the Series 2009A Debt Service Reserve Fund in the amount equal to the lesser of (i) 10% of the original principal amount of the Series 2009A Bonds, (ii) 125% of the average annual debt service payments on the Series 2009A Bonds or (iii) the maximum annual debt service payable on the Series 2009A Bonds (the "Series 2009A Bonds Debt Service Reserve Requirement"). Deficiencies in the Series 2009A Debt Service Reserve Fund are to be made up within 12 months. See "The Indenture – Debt Service Reserve Fund" herein.

**Pledged Sales Taxes and the Indenture**

The City levies a non ad valorem tax as defined in Sections 39-16 and 39-47 of the Revised Ordinances of the City, and Ordinance Nos. 70-03, 14-04, 26-06 and 116-08 codified as Sections 39-16.1 and 39-47.1 of the Revised Ordinances of the City (the "Second Penny Sales Tax Ordinance") a sales tax authorized by South Dakota Codified Laws Chapter 10-52 at the rate of 1% (the "Second Penny Tax"). The Second Penny Tax constitutes the Pledged Sales Taxes. See "DEBT SERVICE COVERAGE" herein.

The collection of City sales and use taxes is required to be administered by the state department of revenue. Taxes collected by the department of revenue on behalf of any city are required to be paid to the City within thirty days after collection. Under the Indenture, the City will assign and pledge to the Trustee, for the benefit of Bondholders, so much of the collections of the Pledged Sales Taxes in each year as are necessary for the payment of the principal of, premium, if any, and interest on the Bonds. The City has covenanted to continue to impose and collect the Pledged Sales Taxes so long as any Bonds are outstanding. The City has also covenanted in the Indenture that if at any time the proceeds of Pledged Sales Taxes are not sufficient to pay when due all debt service on the Bonds the City shall nevertheless provide moneys to cure any such deficiency, but only to the extent that legally available funds are appropriated for such purpose by the City's governing body. The governing body is not obligated to appropriate funds to cure a deficiency.

The Second Penny Tax is used first to pay debt service on the Parity Issues and amounts in excess of such debt service are used for capital improvement projects or to pay debt service on bonds issued for capital improvement projects. The Third Penny Tax is used to pay certain operating expenses of the Sioux Falls Convention Center and the Washington Pavilion with the Net Revenues used for a portion of the debt service on the Series 2001B.

**Sales Tax**

The Second Penny Sales Tax can be applied only to those items which are subject to a State sales tax imposed by Chapter 10-52 of the South Dakota Codified Laws (the "State Sales Tax"). The State Sales Tax currently applies to gross receipts, exclusive of discounts and returns, arising from the retail sale of tangible goods, wares or merchandise, the rendering of business services, and the sale of gas, electricity, and telephone services. Various items are excluded from such tax, including, but not limited to, sales of motor vehicles, gasoline and motor fuel, drugs and medicines, water, sales to states, municipalities, charities, Indian tribes, and educational institutions, and receipts from a variety of business services.

**Use Tax**

The Second Penny Use Tax can be applied only to items which are subject to a State use tax (the "State Use Tax"). The State Use Tax is currently applied to the purchase price of tangible goods, wares or merchandise, the rendering of business services and the purchase of gas and electricity, if such goods or services are furnished or delivered to consumers or users in the State by either an out-of-state retailer maintaining a place of business in the State or by any retailer, upon application to the State to collect such tax, without a place of business in the State. Goods and services to which the State Sales Tax is applied are not subject to an additional State Use Tax. Various items are excluded from application of the State Use Tax, including, without limitation, motor vehicles, raw materials, prescriptive drugs, medicines and other medical devices, sale and use by the State, political subdivisions and certain educational and charitable institutions, and the use of a variety of business services. Under the State Use Tax statute, any person selling and delivering goods or services to residents of the State is required to maintain a list of such sales and submit such list to the State twice a year. The use tax is permitted to be added to the sales price of each item subject to the tax. At the times required under the State Sales Tax statute, such persons must file a use tax return and remit the applicable tax to the State Department of Revenue. Any State Use Tax which is not collected at the time of purchase by the retailer or service provider must be paid directly to the State by the user of the applicable goods or services.

THE PLEDGED SALES TAXES FROM WHICH PRINCIPAL OF AND INTEREST ON THE BONDS ARE PAYABLE ARISE ONLY FROM ITEMS WHICH ARE SUBJECT TO THE STATE SALES TAX OR STATE USE TAX DESCRIBED ABOVE. THE CITY HAS NO CONTROL OVER AND CAN MAKE NO PREDICTION AS TO ANY FUTURE INCLUSIONS TO OR EXCLUSIONS FROM SUCH STATE TAXES OR THE EFFECT THEREOF, IF ANY, ON RECEIPTS OF PLEDGED SALES TAXES.

**Pending Initiative Petition to Reduce Sales Tax**

Voters have the right under South Dakota law and the City charter to initiate measures to change taxes. In October 2008, a municipal initiative petition was filed with the City to reduce the Second Penny Tax from 1.00% to .90%. If a petition carrying signatures of five percent (5%) of registered voters of the City who voted in the last general election is obtained, the initiated measure would appear on the next general City election or the next general State of South Dakota election, whichever is earlier. No assurances can be given that the required number of signatures of registered voters of the City will be obtained and no prediction can be made as to the effect of such successful initiative of the City's collections of Second Penny Tax. The City has pledged in the Indenture to impose and collect the Pledged Sales Taxes in an amount equal to one percent (1%) on the value of goods and services subject to such tax.

THE PLEDGED SALES TAXES FROM WHICH PRINCIPAL AND INTEREST ON THE BONDS ARE PAYABLE MAY BE ADVERSELY AFFECTED BY A MUNICIPAL INITIATIVE. THE CITY HAS NO CONTROL OVER AND CAN MAKE NO PREDICTION AS TO ANY FUTURE REDUCTIONS OF THE SECOND PENNY TAX OR THE EFFECT THEREOF IF A MUNICIPAL INITIATIVE IS SUCCESSFUL.

**Historical Collections of Pledged Sales Taxes**

The City first imposed the Second Penny Tax in April 1984. Set forth below are the receipts of the Second Penny Tax for the periods stated. The Second Penny Tax collections from January 1, 2009 through May 31, 2009 were $15,662,777 compared to $15,395,785 from January 1, 2008 through May 31, 2008.

**Collections of Second Penny Taxes**

| Year Ending December 31 | Second Penny Collections | Second Penny Percent Increase (Decrease) |
|---|---|---|
| 2008 | $41,568,499 | 1.64% |
| 2007 | 40,896,501 | 7.43 |
| 2006 | 38,066,640 | 8.43 |
| 2005 | 35,107,816 | 5.86 |
| 2004 | 33,164,929 | 7.69 |
| 2003 | 30,796,042 | 5.65 |
| 2002 | 29,148,126 | 2.82 |
| 2001 | 28,349,911 | 2.17 |
| 2000 | 27,748,948 | 7.85 |
| 1999 | 25,729,080 | 8.98 |

*(The remainder of this page has been left blank intentionally.)*

## DEBT SERVICE COVERAGE

The following table shows pro forma debt service coverage on the obligations payable from the Pledged Sales Taxes including the Series 2009A Bonds for calendar year ended December 31, 2008. The City may issue additional obligations payable from the Pledged Sales Tax at anytime subject to provisions set forth in the Sales Tax Indenture. Currently, the City has authorized the issuance of $38,000,000 plus costs of issuance and debt service reserve funds for the flood control project approved by the City Council on January 5, 2009. The City anticipates issuing a portion of such obligations within the next six months.

| Year | Second Penny Sales Tax Revenue[1] | Existing Debt Service on Bonds other than 2009A Bonds[2] | Pro forma Series 2009A Debt Service | Pro forma Total Debt Service after Series 2009A are issued | Pro forma Coverage after Series 2009A are issued |
|---|---|---|---|---|---|
| 2009 | $41,568,499 | $13,370,511 | $ - | $13,622,453 | 3.05 |
| 2010 | 41,568,499 | 13,661,009 | - | 14,456,615 | 2.88 |
| 2011 | 41,568,499 | 11,565,864 | 1,620,606 | 13,186,470 | 3.15 |
| 2012 | 41,568,499 | 11,447,221 | 1,615,856 | 13,063,077 | 3.18 |
| 2013 | 41,568,499 | 13,102,736 | 1,620,506 | 14,723,242 | 2.82 |
| 2014 | 41,568,499 | 10,298,511 | 1,619,256 | 11,917,767 | 3.49 |
| 2015 | 41,568,499 | 9,240,449 | 1,617,256 | 10,857,705 | 3.83 |
| 2016 | 41,568,499 | 9,236,011 | 1,619,506 | 10,855,517 | 3.83 |
| 2017 | 41,568,499 | 9,234,411 | 1,616,306 | 10,850,717 | 3.83 |
| 2018 | 41,568,499 | 7,744,928 | 1,616,706 | 9,361,634 | 4.44 |
| 2019 | 41,568,499 | 6,838,700 | 1,615,506 | 8,454,206 | 4.92 |
| 2020 | 41,568,499 | 6,824,450 | 1,617,706 | 8,442,156 | 4.92 |
| 2021 | 41,568,499 | 6,804,738 | 1,618,106 | 8,422,844 | 4.94 |
| 2022 | 41,568,499 | 6,782,725 | 1,616,706 | 8,399,431 | 4.95 |
| 2023 | 41,568,499 | 6,763,163 | 1,618,506 | 8,381,669 | 4.96 |
| 2024 | 41,568,499 | 6,743,663 | 1,616,738 | 8,360,401 | 4.97 |
| 2025 | 41,568,499 | 6,723,825 | 1,616,275 | 8,340,100 | 4.98 |
| 2026 | 41,568,499 | 6,699,425 | 1,618,475 | 8,317,900 | 5.00 |
| 2027 | 41,568,499 | 6,695,013 | 1,616,350 | 8,311,363 | 5.00 |
| 2028 | 41,568,499 | 4,707,838 | 1,619,750 | 6,327,588 | 6.57 |
| 2029 | 41,568,499 | 4,691,588 | - | 4,691,588 | 8.86 |
| 2030 | 41,568,499 | 4,673,088 | - | 4,673,088 | 8.90 |
| 2031 | 41,568,499 | 4,709,888 | - | 4,709,888 | 8.83 |
| 2032 | 41,568,499 | 4,746,088 | - | 4,746,088 | 8.76 |
| 2033 | 41,568,499 | 4,786,513 | - | 4,786,513 | 8.68 |
| 2034 | 41,568,499 | 4,825,813 | - | 4,825,813 | 8.61 |
| 2035 | 41,568,499 | 4,816,313 | - | 4,816,313 | 8.63 |
| 2036 | 41,568,499 | 4,802,788 | - | 4,802,788 | 8.66 |

[1] Calendar Year collections for 2008.
[2] Does not include debt service for the Series 2008A Bonds for which no amortization schedule has been set. The Series 2008A Bonds represent a revolving line of credit with a final maturity in 2015.

## THE INDENTURE

The following is a summary of certain provisions of the Indenture:

### Application of Series 2009A Bond Proceeds

The proceeds from the sale of the Series 2009A Bonds (including accrued interest) will be deposited with the Trustee to be applied as follows:

1. The Debt Service Reserve Fund Requirement will be deposited in the Series 2009A Debt Service Reserve Fund hereinafter described.

2. An amount sufficient to pay interest on the Series 2009A Bonds through November 15, 2011will be deposited in the Series 2009A Capitalized Interest Fund.

3. The balance of the Series 2009A Bond proceeds will be used to pay costs of the 2009A Projects and issuance expenses of the Series 2009A Bonds.

### Bond Fund

The Bond Fund, the collection of the Pledged Sales Taxes and certain other amounts specified in the Indenture will be deposited, will be maintained with the Trustee. While any Bonds are outstanding, moneys in the Bond Fund will be used and withdrawn by the Trustee solely for the payment of principal, premium, if any, and interest on the Bonds and for the redemption of Bonds prior to maturity or to purchase Bonds on the market pursuant to the Indenture.

### Debt Service Reserve Fund

The City will maintain the Debt Service Reserve Fund with the Trustee, which Fund contains separate accounts for the Series 2001A Bonds, the Series 2001B Bonds, the Series 2007A, the Series 2007B Bonds, the Series 2008A Bonds and the Series 2009A Bonds. The City will initially fund the Series 2009A Bonds Reserve Fund in the amount equal to the lesser of (i) 10% of the original principal amount of the Series 2009A Bonds, (ii) 125% of the average annual debt service payments on the Series 2009A Bonds or (iii) the maximum annual debt service payable on the Series 2009A Bonds (the "Series 2009A Bonds Debt Service Reserve Requirement"). The reserve fund surety bond for the Series 2001B Bonds is $3,872,137.50. The Series 2001A Bond Reserve Requirement was initially funded by the proceeds of the Series 2001A Bonds in the amount of $1,099,500. The Series 2007A Bond Reserve Requirement was initially funded by the proceeds of the Series 2007A Bonds in the amount of $2,425,000. Funds in the respective accounts in the Debt Service Reserve Fund will be transferred to the Bond Fund whenever there is a deficiency in the amount of money in the Bond Fund necessary to pay maturing principal and interest on the related series of Bonds to which such reserve account applies, after application of all funds available for that purpose under the Indenture.

All moneys and investments in the respective accounts in the Debt Service Reserve Fund shall be and are irrevocably pledged to and shall be used solely for the payment of the interest on the series of Bonds to which such reserve account applies and for the payment, redemption and retirement of the principal of the series of Bonds to which such reserve account applies.

If the amount on deposit in the Series 2009A Debt Service Reserve Fund is less than the Series 2009A Debt Service Reserve Requirement, the City will deposit funds into the Series 2009A Debt Service Reserve Fund in the next succeeding twelve months not less than the amount necessary to restore the Series 2009A Debt Service Reserve Fund to the Series 2007 to the Series 2007 Debt Service Reserve Requirement

If the amount on deposit in the Series 2009A Debt Service Reserve Fund exceeds the Series 2009A Debt Service Reserve Requirement, the excess thereof may be withdrawn and transferred to the Bond Fund.

**Capitalized Interest Fund**

The City will fund capitalized interest for all interest payments on the Series 2009A Bonds through November 15, 2011 from proceeds of the Series 2009A Bonds. Any interest earned on sums held in the Series 2009A Capitalized Interest Fund shall be retained in the 2009A Capitalized Interest Fund, or, at the direction of the City, transferred to the Bond Fund.

**Investment of Funds**

Any moneys deposited with, or paid to, the Trustee under any provision of the Indenture shall, at the direction of the City, or in the absence of such direction at the initiative of the Trustee, be invested and reinvested by the Trustee (i) in obligations of, or obligations the payment of the principal of and interest on which is directly or indirectly guaranteed by, the United States of America and (ii) in obligations set forth in the Indenture that are permitted under South Dakota Codified Laws Section 4-5-6. The other funds held under the Indenture may be invested in the foregoing investments and also in such other investments as may be approved by Ambac Assurance as long as Series 2001B Bonds and the Series 2004 are outstanding. The Trustee will not make any investments which would cause any of the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") or "federally guaranteed" within the meaning of Section 149 of the Code.

**Pledged Sales Taxes Covenants and Representations**

The City covenants that so long as any Bonds remain Outstanding and unpaid:

(a) The City will administer, enforce and collect, or cause to be administered, enforced and collected, the Pledged Sales Taxes in an amount equal to 1.00 percent of the value of goods and services subject to such taxes and shall take all reasonable action necessary to collect delinquent payments or to cause delinquent payments to be collected in accordance with law.

(b) The City will keep or cause to be kept books and records showing the proceeds of the Pledged Sales Taxes, in which complete entries shall be made in accordance with standard principles of accounting, and any owner of any of the Bonds shall have the right at all reasonable times to inspect such books and records.

(c) The City shall comply with its covenants and obligations set forth in the Continuing Disclosure Agreement.

(d) The City shall continue to impose and collect the Pledged Sales Taxes, shall not reduce the rate of tax on the value of goods and services subject to such tax, and the City shall not exempt any item or transaction from the Pledged Sales Taxes which is subject to the Pledged Sales Taxes on the date of execution of the Indenture.

(e) The City shall, to the extent permitted by law, defend the validity and legality of the Indenture, the Pledged Sales Taxes and the Ordinance, and all amendments thereto, against all claims, suits and proceedings which would diminish or impair the Pledged Sales Taxes as security for the Bonds.

(f) The City, acting by and through its officers, or otherwise, shall faithfully and punctually perform, or cause to be performed, all duties with respect to the Pledged Sales Taxes required by the Constitution and laws of the State and the various ordinances, resolutions and contracts of the City, including, without limitation, the proper segregation of the proceeds of the Bonds and the Pledged Sales Taxes and their application from time to time to the respective funds provided therefor.

(g) The City will perform all contractual obligations undertaken by it under any other agreements relating to the Bonds, Additional Bonds and the Pledged Sales Taxes.

(h) At any and all times the City shall, so for as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Pledged Sales Taxes and other funds and accounts hereby pledged or assigned, or intended so to be, or which the City may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of the Indenture. The City, acting by and through its officers, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Sales Taxes and other funds and accounts pledged under the Indenture and all the rights and every owner of any of the Bonds and Additional Bonds against all claims and demands of all persons whomsoever.

(i) The City, its officers, agents and employees, shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bonds according to the terms thereof. No contract shall be entered into nor any other action taken by which the rights of any Registered Owner of any Bond or other security payable from Pledged Sales Taxes might be prejudicially and materially impaired or diminished.

(j) Each City officer or employee having custody of any Pledged Sales Taxes, or responsible for their handling, shall be bonded at all times, which bond shall be conditioned upon the proper application of said moneys.

Although levied by the City, the sales taxes imposed by the Ordinance (including the Pledged Sales Taxes) are collected by the State of South Dakota and remitted to the City twice a month. No covenant of the City with respect to Pledged Sales Taxes obligates the City to undertake or perform any duty, task or obligation to be performed by the State.

**Pledged Sales Taxes**

The proceeds of the sales taxes levied pursuant to the Ordinance (less service and collection fees charged by the State of South Dakota against such amounts) are remitted to the City by the State of South Dakota. Promptly upon receipt of each such remittance, the City shall:

(A) determine the amount of such remittance which constitutes Pledged Sales Taxes and the amount of such remittance which constituted the proceeds of the Second Penny Tax and the Third Penny Tax; and

(B) beginning on November 16 of each Bond Year, (i) allocate such Pledged Sales Taxes among the SRF Loans and the Bonds on the basis of their respective debt service payable during such Bond Year, and (ii) segregate the SRF Loans portion of the Pledged Sales Taxes for the payment of the SRF Loans until the aggregate amount segregated equals the debt service on the SRF Loans to become due during such Bond Year, and (iii) remit to the Trustee for deposit in the Bond Fund the entire amount of the Pledged Sales Taxes remaining after segregation of the SRF Loans portion until the aggregate amount remitted equals or exceeds the total amount of principal and interest to become due on all Bonds during such Bond Year;

On the 10th day of each month, the City shall provide to the Trustee a Remittance Certification, stating the amount of Pledged Sales Taxes, remitted to the Trustee during the preceding month, and on a cumulative basis for the current Bond Year.

At such time during each Bond Year as the amount remitted to the Trustee for deposit in the Bond Fund is sufficient to satisfy the City's obligation, the Trustee shall provide written notice of such fact to the City, and the City shall be under no further obligation to remit Pledged Sales Taxes to the Trustee for the remainder of that Bond Year, except for any required remittances to fund the Series 2009A Debt Service Reserve Fund at the Series 2009A Debt Service Reserve Requirement. Nothing in the Indenture precludes the City from remitting moneys to the Trustee from sources other than Pledged Sales Taxes, but the City is under no obligation to do so.

**Defaults and Remedies**

The following shall constitute events of default under the Indenture.

1. default in the due and punctual payment of interest on any Bond or Additional Bond;

2. default in the due and punctual payment of the principal of, or premium, if any, on any Bond or Additional Bond, whether at the stated maturity thereof or by declaration of acceleration, call for redemption or otherwise;

3. default in the due and punctual payment of any other moneys required to be paid by the City to the Trustee for deposit in the Bond Fund under the Indenture and continuation of such default for a period of five (5) days following written notice thereof to the City;

4. default by the City in the due and punctual payment of any other moneys required to be paid to the Trustee under the provisions of the Indenture and such default shall have continued for a period of thirty (30) days after written notice thereof to the City; or

5. default by the City in the performance or observance of any other covenant, agreement or condition contained in the Indenture or the Bonds or Additional Bonds and the continuation of such default for a period of thirty (30) days following written notice thereof to the City.

Upon the occurrence of an event of default, the Trustee may, by notice in writing delivered to the City, declare the principal of all outstanding Bonds or Additional Bonds to be immediately due and payable and may, in addition, pursue any available remedy at law or in equity to enforce the rights of the Bondholders. The Trustee may direct the City in writing to remit all collections of Pledged Sales Taxes directly to the Trustee, and the Trustee shall apply the moneys received to satisfy the obligations of the City under the Indenture. If any event of default shall have occurred and the holders of 51% in aggregate principal amount of the then outstanding Bonds or Additional Bonds shall so request and the Trustee has received an indemnity bond as provided in the Indenture, the Trustee shall be obligated to exercise such rights and powers conferred upon it by the Indenture as it deems most expedient in the interest in the Bondholders; provided, however, that the Trustee shall have the right to decline to comply with any such request if the Trustee shall be advised by independent counsel that the action so requested may not lawfully be taken or if the Trustee in good faith should determine that such action would be unjustly prejudicial to any Bondholders not parties to such requests. The Trustee may in its discretion waive any event of default and its consequences and rescind any declaration of acceleration provided that there shall not be waived any event of default in the payment of the principal of or premium of any outstanding Bonds or Additional Bonds on the redemption date or on the date of maturity specified therein or any event of default in the payment when due of the interest on any Bond or Additional Bonds unless prior to such waiver all arrearages of interest, principal and premium, with interest on such amounts to the extent permitted by law, have been paid or provided for.

**Modifications**

The Indenture may not be modified or amended without the consent of the holders of not less than fifty-one percent in aggregate principal amount of the Bonds or Additional Bonds outstanding except to:

1. provide for the issuance of additional series of Bonds or Additional Bonds to the extent permitted by the Indenture or to facilitate the remarketing of the Bonds or Additional Bonds on a Mandatory Purchase Date;

2. cure any ambiguity or formal defect or omission in the Indenture or in any supplemental indenture;

3. grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee;

4. more precisely identify the Trust Estate, or any other property which may become a part of the Trust Estate;

5. subject to the lien and pledge of the Indenture additional revenues, properties or collateral;

6. evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee and/or Paying Agent under the Indenture;

7. modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to prevent any interest on the Bonds from becoming taxable under the Federal income tax laws or to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar Federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding however the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939; and

8. make any other change which is required by any provision of the Indenture, or which in the judgment of the Trustee is necessary or desirable and will not materially prejudice any non-consenting Holder of a Bond or Additional Bond.

In any event, no such modification or amendment shall be made without consent of the Holders of all Bonds or Additional Bonds adversely affected thereby which will permit:

1. an extension of the maturity of the principal or of the interest on any Bond or Additional Bond issued under the Indenture, or a reduction in the principal amount of any Bond or Additional Bond or the rate of interest thereon;

2. a privilege or priority of any Bond or Bonds or Additional Bonds over any other Bond or Bonds or Additional Bonds except as may be otherwise expressly provided in the Indenture;

3. a reduction in the aggregate principal amount of the Bonds or Additional Bonds required for consent to such supplemental indenture; or

4. a reduction in the percentage of holders of Bonds or Additional Bonds required for consent to such supplemental indentures.

## CONTINUING INFORMATION

In order to permit the City to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2009A Bonds, in a Continuing Disclosure Agreement, dated as of July 1, 2009 (the "Continuing Disclosure Agreement"), between the City and the Trustee, as agent, to provide annual reports of specified information and notice of the occurrence of certain material events. The information to be provided on an annual basis, the events as to which notice is to be

given and a summary of other provisions of the Continuing Disclosure Agreement, including termination, amendment and remedies, are set forth in Appendix F to this Official Statement.

Breach of the Continuing Disclosure Agreement will not constitute a default or an "Event of Default" under the Indenture or the Series 2009A Bonds. A broker or dealer is to consider a known breach of the Continuing Disclosure Agreement before recommending the purchase or sale of the Series 2009A Bonds in the secondary market. Thus, a failure on the part of the City to observe the covenants contained in the Continuing Disclosure Agreement may adversely affect the transferability and liquidity of the Series 2009A Bonds and their market price.

## TAX MATTERS

In the opinion of Lindquist & Vennum, P.L.L.P., Bond Counsel, under present laws, regulations, rulings and decisions in effect on the date of issuance of the Series 2009A Bonds, and assuming compliance with certain covenants, interest on the Series 2009A Bonds is not includable in gross income for federal income tax purposes. Interest received by the owners of the Series 2009A Bonds is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the City concerning the nature and cost of the facilities being financed from proceeds of the Series 2009A Bonds and the application and investment of proceeds of the Series 2009A Bonds. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), impose continuing requirements that must be met after the issuance of the Series 2009A Bonds in order for interest thereon to be and remain not includable in federal gross income. Noncompliance with such requirements by the City may cause the interest on the Series 2009A Bonds to be includable in federal gross income, retroactive to date of issuance of the Series 2009A Bonds, irrespective in some cases of the date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the Series 2009A Bonds or for an increase in the interest rate on the Series 2009A Bonds in the event that interest on the Series 2009A Bonds becomes includable in federal gross income.

Interest on the Series 2009A Bonds is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers. Interest on the Series 2009A Bonds is not includable in adjusted current earnings in determining the alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax. Interest on the Series 2009A Bonds may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest on the Series 2009A Bonds that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account the interest on the Series 2009A Bonds in determining the taxability of such benefits. Passive investment income, including interest on the Series 2009A Bonds, may be subject to federal income taxation under Section 1375 of the Code for an

S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the Series 2009A Bonds. Prospective purchasers or owners of the Series 2009A Bonds should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

**The foregoing discussion of the collateral federal tax consequences which may arise from the receipt of interest on the Series 2009A Bonds is not intended to be comprehensive. All prospective purchasers of the Series 2009A Bonds should consult their tax advisors as to the tax consequences of, purchasing or holding the Series 2009A Bonds.**

**Original Issue Premium**

The Series 2009A Bonds maturing in the years 2011 through 2020 (the "Premium Bonds") are being sold at a price greater than the principal amounts payable on such Series 2009A Bonds at maturity. To the extent that a purchaser of a Premium Bond acquires a Premium Bond at a price greater than the principal amount payable at maturity, such excess may be considered "amortizable bond premium" under Section 171 of the Code. In general, any amortizable bond premium with respect to a Premium Bond must be amortized under the Code. The amount of premium so amortized will reduce the owner's basis in such Premium Bond for Federal income tax purposes, and such amortized premium is not deductible for Federal income tax purposes. Purchasers should consult their own tax advisors as to the computation and treatment of such amortizable bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption, maturity, receipt or payment or other disposition of a Premium Bond.

**Original Issue Discount**

The initial public offering price of the Series 2009A Bonds maturing in the years 2022 through 2028 (the "Discounted Bonds") is less than the principal amount payable thereon at maturity. As a result, the Discounted Bonds will be considered to be issued with original issue discount. The difference between the initial public offering price of each maturity of the Discounted Bonds as set forth on the inside cover page of this Official Statement (assuming it is the first price during the initial offering (the "Issue Price") at which a substantial amount of such maturity is sold to the public), and the principal amount payable at maturity of the Discounted Bonds will be treated as "original issue discount." With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the Issue Price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest which is not includable in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, under present federal income tax law, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

The original issue discount on each of the Discounted Bonds is treated as accruing daily over the term of such Discounted Bond on the basis of a constant interest rate compounded at the end of

each six-month period (or shorter period from the date of original issue) ending on May 15 and November 15 (with straight line interpolation between compounding dates).

Section 1288 of the Code provides, with respect to tax-exempt obligations such as the Discounted Bonds, that the amount of original issue discount accruing each period will be added to the owner's tax basis for the Discounted Bonds. Such adjusted tax basis will be used to determine taxable gain or loss upon disposition of the Discounted Bonds (including sale, redemption or payment at maturity). An owner of a Discounted Bond who disposes of such Discounted Bond prior to maturity should consult such owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discounted Bond prior to maturity.

As described above regarding tax-exempt interest, a portion of the original issue discount that accrues in each year to an owner of a Discounted Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the original issue discount will be included in the calculation of the corporation's alternative minimum tax liability and the branch profits tax liability. Corporate owners of any Discounted Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or a branch profits tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year.

Owners who purchase Discounted Bonds in the initial public offering but at a price different than the Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discounted Bonds. Owners who do not purchase Discounted Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discounted Bonds.

Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds. It is possible that under the applicable provisions governing the determination of state or local income taxes, accrued original issue discount on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

## ENFORCEABILITY OF OBLIGATIONS

On the closing date for delivery of the Series 2009A Bonds, Bond Counsel will deliver its opinion, dated the date thereof, that the Series 2009A Bonds and the Indenture are valid and legally binding obligations of the City enforceable in accordance with their terms. The foregoing opinion will be generally qualified to the extent that enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

While the Series 2009A Bonds are secured or payable pursuant to the Indenture, practical realization of any security upon a default will depend upon the exercise of various remedies

specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. Accordingly, the remedies specified by such instruments may not be readily available or may be limited.

## RATING

Moody's Investors Service, Inc. has assigned a "Aa3" rating to the Series 2009A Bonds.

The rating issued reflects an opinion of the agency furnishing the same and is not a recommendation to buy or sell the Series 2009A Bonds. This rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse affect on the marketability of the Series 2009A Bonds. For an explanation of the significance of a rating, an investor should communicate with the rating agency directly.

## MISCELLANEOUS

Aside from the discussion in the section "Pending Initiative Petition to Reduce Sales Tax", there is no controversy or litigation of any nature now pending or, to the knowledge of the City, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, the establishment or collection of the Pledged Sales Taxes, or in any way contesting or affecting the validity of the Series 2009A Bonds, the establishment or collection of the Pledged Sales Taxes, or any proceedings of the City taken with respect thereto.

The foregoing summaries do not purport to be comprehensive or definitive and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Series 2009A Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of these documents are available for inspection during the period of the offering at the offices of the Financial Consultant in Sioux Falls, South Dakota, and thereafter at the principal office of the Trustee. All information contained in the Appendices to this Official Statement has been furnished by the City.

## UNDERWRITING

The Series 2009A Bonds are being purchased by Robert W. Baird & Co., Inc. at a purchase price of $20,205,734.71, equal to the principal amount thereof less an underwriter's discount of $275,716.94 and plus a net reoffering premium of approximately $216,451.65. The Underwriter may offer and sell the Series 2009A Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the cover hereof.

## FINANCIAL ADVISOR

The City has appointed Public Financial Management, Inc., Minneapolis, Minnesota to serve as financial advisor to the City on matters relating to the issuance of the Series 2009A Bonds and various debt management matters.

## CERTIFICATES CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Series 2009A Bonds, the Mayor and the Director of Finance of the City will deliver to the purchaser of the Series 2009A Bonds a certificate stating that, to the best of their knowledge, this Official Statement did not as of its date and as of the sale date and does not, as of the date of delivery of the Series 2009A Bonds, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made not misleading.

By /s/ Dave Munson
Dave Munson, Mayor

By /s/ Eugene Rowenhorst
Eugene Rowenhorst, Director of Finance

# APPENDIX A

# CITY OF SIOUX FALLS, SOUTH DAKOTA

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## GENERAL INFORMATION

For more detailed information about the City, please go to www.siouxfalls.org.

### Demographics

Set forth below are certain demographic statistics:

| Fiscal Year | City Population[1] | Per Capita Personal Income[2] | School Enrollment[3] | Annual Average Unemployment Rate[2] |
|---|---|---|---|---|
| 2008 | 154,100 | N/A | 20,756 | 3.7% |
| 2007 | 151,300 | N/A | 20,006 | 2.5 |
| 2006 | 148,200 | $36,017 | 19,821 | 2.7 |
| 2005 | 144,600 | 35,276 | 19,630 | 3.3 |
| 2004 | 141,000 | 34,148 | 20,337 | 3.4 |
| 2003 | 138,000 | 32,757 | 19,623 | 3.1 |

Sources: [1] City Planning Department end of year estimates.
[2] South Dakota Department of Labor (for the Sioux Falls Metropolitan Statistical Area)
[3] South Dakota Department of Education fall enrollment (for Sioux Falls Public Schools)

### City Government

The City was incorporated in 1889 and currently operates under its home rule charter. The charter permits the City to exercise any legislative power or perform any legislative function not denied by its charter, the constitution, or the general laws of South Dakota. The City government is composed of a full-time strong mayor and a City Council of eight part-time council members, three to be elected at large and five elected from districts. The City Council acts as a policy-making and legislative body. The mayor is responsible for management and administration of the City.

City Council

| Name | Position | Term Expires |
|---|---|---|
| Dave Munson | Mayor | 2010 |
| Vernon Brown | Councilmember-At Large | 2012 |
| J. Pat Costello | Councilmember-At Large | 2010 |
| De Knudson | Councilmember-At Large | 2010 |
| Greg Jamison | Councilmember-Southwest District | 2012 |
| Kenny Anderson Jr. | Councilmember-Northeast District | 2012 |
| Robert Litz | Councilmember-Northwest District | 2012 |
| Gerald Beninga | Councilmember-Southeast District | 2010 |
| Kermit Staggers | Councilmember-Central District | 2010 |

City Officials

| | | |
|---|---|---|
| Eugene Rowenhorst | Director of Finance | Appointed |
| Robert Amundson | City Attorney | Appointed |

**City Services**

Protective Services are provided by a Police Department employing 254, which operates 66 vehicular patrol units. The City's Fire Department consists of 193 employees operating from 9 fire stations with 18 pieces of motorized firefighting equipment. The City also provides water, sanitary sewer and storm sewer services, solid waste disposal facilities, airport facilities and a transit system and operates a comprehensive public recreation program.

**Construction**

Set forth below is data for building permits issued in the City for the past five years:

| Fiscal Year | Number of Permits | Value |
|---|---|---|
| 2008 | 6,019 | $454,137,347 |
| 2007 | 6,428 | 506,325,775 |
| 2006 | 6,419 | 441,811,983 |
| 2005 | 6,701 | 463,105,323 |
| 2004 | 6,902 | 396,937,153 |
| 2003 | 6,697 | 346,645,088 |
| 2002 | 7,723 | 280,340,362 |

**Major Employers**

| Name | Product/Service | Number of Employees |
|---|---|---|
| Sanford Health | Medical | 6,743 |
| Avera McKennan Health Services | Medical | 4,884 |
| Wells Fargo Bank | Financial | 3,348 |
| John Morrell & Co. | Meat Processing | 3,200 |
| Citigroup | Financial | 3,200 |
| Sioux Falls Public Schools | Education | 3,000 |
| HyVee Food Stores | Retail Grocery | 2,087 |
| WalMart/Sam's Club | Retail | 1,185 |
| City of Sioux Falls | Government | 1,101 |
| First Premier Bank/Premier Bankcard Financial | Financial | 1,056 |

Source: Sioux Falls Development Foundation

# FINANCIAL INFORMATION

## Financial Reports

Copies of the Audited Annual Financial Report of the City's funds for the years 2003-2008, and the budgets for the years 2004-2009 are available at www.siouxfalls.org. See Note No. 1 in Appendix A for an explanation of methods used in reporting. Excerpts of the City's comprehensive financial report for the year ended December 31, 2008, are presented in Appendix B to the Official Statement. The City's accounts are audited annually by an independent certified public accountant. The City has received from the Government Finance Officers Association, its Certificate of Achievement for Excellence in Financial Reporting in each year since 1980, and its Distinguished Budget Presentation Award in each year since 1990.

## Results of Operation

The General Fund is the primary operating fund for the City. Revenues and expenditures for the years 2005-2008 are outlined in the following table. Schedules of revenues and expenditures of various funds of the City have been compiled from information obtained in the City's financial statements and budget. They have been organized in such a manner as to facilitate year-to-year comparisons.

| | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes | $ 87,285,366 | $ 83,301,576 | $ 76,873,020 | $ 71,059,546 |
| Licenses and permits | 4,620,792 | 4,905,762 | 3,994,868 | 4,967,567 |
| Intergovernmental revenues | 9,441,843 | 8,848,960 | 6,800,111 | 6,866,364 |
| Charges for goods and services | 5,239,486 | 5,057,163 | 4,170,337 | 4,490,705 |
| Fines and forfeits | 1,148,449 | 1,143,907 | 1,147,628 | 1,256,988 |
| Interest (Investment revenues) | 3,521,754 | 3,805,690 | 2,798,696 | 1,367,970 |
| Miscellaneous revenues | 790,844 | 738,109 | 881,627 | 916,362 |
| Total Revenues | $112,048,534 | $107,801,167 | $ 96,666,287 | $ 90,925,502 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | $ 12,004,046 | $ 11,380,922 | $ 10,463,202 | $ 10,679,235 |
| Public safety | 42,147,680 | 40,596,795 | 37,739,072 | 34,362,530 |
| Highways and streets | 17,853,737 | 17,622,676 | 14,440,969 | 15,963,968 |
| Health | 7,145,393 | 6,910,881 | 6,571,869 | 6,254,196 |
| Culture and recreation | 18,117,832 | 17,525,143 | 16,848,972 | 14,823,418 |
| Urban and economic development | 5,160,199 | 4,914,562 | 4,603,141 | 4,408,913 |
| Total Current Expenditures | $102,428,887 | $ 98,950,979 | $ 90,667,225 | $ 86,492,260 |
| Capital outlay | 7,695 | 41,096 | 384,590 | 2,119,474 |
| Debt service | -- | 48,735 | 61,354 | 61,734 |
| Total Expenditures | $102,436,582 | $ 99,040,810 | $ 91,113,169 | $ 88,673,468 |
| Revenues Over (Under) Expenditures | $ 9,611,952 | $ 8,760,357 | $ 5,553,118 | $ 2,252,034 |

| | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| **Other Financing Sources (Uses):** | | | | |
| Sale of surplus property/damage recovery | 70,450 | 108,155 | 90,355 | 84,030 |
| Operating transfers in | -- | 28,939 | 430,777 | 80,275 |
| Operating transfers out | (4,273,274) | (3,692,285 | (2,604,500) | (3,163,999) |
| Total Other Financing Sources (Uses) | (4,202,824) | (3,555,191) | (2,083,368) | (2,999,094) |
| Revenue and other sources over (under) expenditures and other uses | 5,409,128 | 5,205,166 | 3,469,750 | (747,060) |
| **Fund Balances January 1** | **$39,347,693** | **$ 34,142,527** | **$ 27,038,869** | **$ 27,785,929** |
| Prior Period Adjustment | | | 3,633,908 | -- |
| Adjusted Fund Balance January 1 | 39,347,693 | 34,142,527 | 30,672,777 | 27,785,929 |
| **Fund Balances (Deficit), December 31** | **$44,756,821** | **$ 39,347,693** | **$ 34,142,527** | **$ 27,038,869** |

## Budgetary Process

By August 1 in each year the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted at City Hall to encourage public input. The Council must, prior to September 30, enact the budget by ordinance. If the Council fails to approve a budget by September 30, the Mayor's proposed budget becomes the City's budget for the following fiscal year. After adoption, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted. If it is determined during the year that sufficient amounts have not been budgeted, the City Charter allows the adopting of supplemental appropriations.

# CITY OBLIGATIONS

Set forth below are the current outstanding obligations (as of May 31, 2009) which the City is obligated or committed to pay:

| Type of Issue | | Purpose | Original Issue Amount | Amount Outstanding (05/31/09) |
|---|---|---|---|---|
| **Revenue Bonds & Notes** | | | | |
| Series 2001A Sales Tax Bonds | * | Public Safety Construction | $ 10,995,000 | $ 4,280,000 |
| Series 2001B Sales Tax Bonds | * | Partial Refunding (1993) | 17,320,000 | 16,985,000 |
| Series 2007A Sales Tax Bonds | * | Lewis & Clark Rural Water System | 70,000,000 | 70,000,000 |
| Series 2007B Sales Tax Bonds | * | Library & Park Projects | 25,570,000 | 25,570,000 |
| Series 2008A Sales Tax Bonds[1] | * | Urban Revitalization | 5,000,000 | 1,034,260 |
| 1989 Lease Purchase Obligations | | City Hall Annex | 1,290,902 | 603,865 |
| 2007 Lease Purchase Obligations | | Scrapers | 1,528,108 | 1,293,093 |
| 2008 Lease Purchase Obligations | | Dozer | 742,898 | 584,665 |
| 2008 Lease Purchase Obligations | | 5 Motor Graders | 928,111 | 729,293 |
| Series 2000 Parking Revenue Bonds | | Parking Construction | 5,075,000 | 2,615,000 |
| 2007 State Revolving Note SW #1 | | Landfill Improvements | 1,800,000 | 1,671,622 |
| 2008A Tax Increment | | Cherapa Place | 2,290,000 | 2,290,000 |
| **Drinking Water** | | | | |
| State Revolving Note #1, 1999 | | System Construction | 6,496,745 | 982,177 |
| State Revolving Note #2, 2001 | | System Construction | 2,348,168 | 1,005,505 |
| State Revolving Note #3, 2002 | | System Construction | 7,930,000 | 4,287,128 |
| State Revolving Note #4, 2003 | | System Construction | 279,599 | 172,326 |
| State Revolving Note #5, 2004[1] | | System Construction | 12,749,000 | 8,524,344 |
| State Revolving Note #6, 2008[1] | | System Construction | 17,848,000 | 976,115 |
| State Revolving Note #7, 2008[1] | | System Construction | 2,200,000 | 1,388,640 |
| State Revolving Note #8, 2008[1] | | System Construction | 2,705,600 | 1,911,797 |
| State Revolving Note #9, 2009[1] | | System Construction | 3,578,750 | -- |
| State Revolving Note #10, 2009[1] | | System Construction | 7,606,900 | -- |
| **Clean Water** | | | | |
| State Revolving Note #1, 1990 | * | System Construction | 2,836,963 | 569,675 |
| State Revolving Note #14, 2000 | | System Construction | 4,888,537 | 1,748,061 |
| State Revolving Note #15, 2002 | | System Construction | 1,467,706 | 858,212 |
| State Revolving Note #16, 2003 | | System Construction | 2,479,500 | 1,538,422 |
| State Revolving Note #17, 2003 | | System Construction | 561,320 | 341,921 |
| State Revolving Note #18, 2004 | | System Construction | 3,730,114 | 2,883,184 |
| State Revolving Note #19, 2004 | | System Construction | 415,785 | 311,291 |
| State Revolving Note #20, 2005 | | Storm Drainage Construction | 25,949,349 | 21,065,545 |
| State Revolving Note #21, 2005[1] | | System Construction | 35,733,636 | 28,053,093 |
| State Revolving Note #22, 2006 | * | Storm Drainage Construction | 10,550,000 | 9,130,140 |
| State Revolving Note #23, 2006[1] | * | System Construction | 10,323,000 | 9,627,066 |
| State Revolving Note #24, 2006 | | Landfill Improvements | 500,000 | 467,106 |
| State Revolving Note #25, 2008[1] | | System Construction | 5,657,000 | 2,030,884 |
| State Revolving Note #26, 2008[1] | | System Construction | 3,744,000 | 1,584,868 |
| State Revolving Note #27, 2008[1] | | System Construction | 2,621,000 | 1,056,256 |
| State Revolving Note #28, 2009[1] | | System Construction | 1,803,000 | -- |
| State Revolving Note #29, 2009[1] | | System Construction | 2,540,000 | -- |
| | | | | $228,170,554 |

(1) Authorized amount not fully funded.

* Secured by pledge of the second penny sales and use tax.

## FUTURE FINANCING OF THE CITY

The City has authorized the issuance of additional Sales Tax Bonds in an amount not to exceed $38,000,000 plus costs of issuance and debt service reserve funds with the terms and subject to provisions as set forth in the Sales Tax Indenture. The City intends to issue a portion of these authorized bonds in 2009. In addition, the City has approved, but not closed on two additional clean water state revolving notes totaling $10,432,000. The City expects to close on these notes prior to December 31, 2009.

# APPENDIX B

## 2008 AUDITED FINANCIALS

EXCERPTS FROM THE
COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008

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## Statement of Net Assets

| | Primary Government | | | Component Units | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Housing & Redevelopment Commission | Metro Communications Agency |
| **Assets** | | | | | |
| Cash and Cash Equivalents | $ 117,712,480 | $ 71,717,914 | $ 189,430,394 | $ 3,565,038 | $ 1,016,259 |
| Investments | - | 39,859 | 39,859 | - | - |
| Receivables, net | 23,703,141 | 6,179,672 | 29,882,813 | 133,219 | 7,245 |
| Prepaid Items | - | - | - | 37,433 | - |
| Internal Balances | (1,308,401) | 1,308,401 | - | - | - |
| Due From Other Governments | 9,551,870 | 16,766 | 9,568,636 | 47,749 | - |
| Inventory of Supplies and Stores | 3,421,724 | 2,826,484 | 6,248,208 | 185,980 | - |
| Unamortized Debt Issuance Costs | - | 55,500 | 55,500 | - | - |
| Notes Receivable | - | - | - | 194,042 | - |
| Deposits | 1,141,359 | - | 1,141,359 | - | - |
| Capital Assets: | | | | | - |
| Land | 123,346,446 | 13,156,191 | 136,502,637 | 504,280 | - |
| Buildings, net | 87,887,527 | 19,158,324 | 107,045,851 | 1,557,308 | - |
| Improvements Other Than Buildings, net | 54,039,799 | 10,135,032 | 64,174,831 | 24,463 | - |
| Machinery and Equipment, net | 25,472,290 | 19,365,232 | 44,837,522 | 205,681 | 1,344,277 |
| Infrastructure, net | 408,524,351 | 297,275,176 | 705,799,527 | - | - |
| Intangibles, net | 2,485,195 | 41,327,116 | 43,812,311 | - | - |
| Construction in Progress | 17,868,150 | 7,423,158 | 25,291,308 | - | - |
| Total Assets | 873,845,931 | 489,984,825 | 1,363,830,756 | 6,455,193 | 2,367,781 |
| **Liabilities** | | | | | |
| Accounts Payable and Other Current Liabilities | 7,745,381 | 2,257,229 | 10,002,610 | 198,254 | 310,993 |
| Interest Payable | 535,664 | 1,210,247 | 1,745,911 | 14 | - |
| Prepaid Revenue | - | 137,649 | 137,649 | - | - |
| Bond Anticipation Notes | 5,449,390 | - | 5,449,390 | - | - |
| Rebatable Arbitrage | - | 529,922 | 529,922 | - | - |
| Closure & Postclosure Care Costs | - | 6,020,908 | 6,020,908 | - | - |
| Deposits | 29,700 | 339,000 | 368,700 | 12,616 | - |
| Unearned Revenue | 17,695,461 | - | 17,695,461 | 1,400 | - |
| Long-term Liabilities: | | | | | - |
| Due Within One Year | 14,882,812 | 8,328,324 | 23,211,136 | 70,310 | - |
| Due In More Than One Year | 79,645,733 | 138,764,268 | 218,410,001 | 730,518 | - |
| Total Liabilities | 125,984,141 | 157,587,547 | 283,571,688 | 1,013,112 | 310,993 |
| **Net Assets** | | | | | |
| Invested in Capital Assets, net of related debt | 648,991,192 | 303,460,632 | 952,451,824 | 1,674,900 | - |
| Restricted for: | | | | | |
| Capital Replacement | - | 8,366,699 | 8,366,699 | - | - |
| Debt Service | - | 2,748,865 | 2,748,865 | - | - |
| Heroic and Meritorious Service: | | | | | |
| Nonexpendable | 2,000 | - | 2,000 | - | - |
| Expendable | 3,354 | - | 3,354 | - | - |
| Library Materials: | | | | | |
| Nonexpendable | 24,729 | - | 24,729 | - | - |
| Expendable | 49,697 | - | 49,697 | - | - |
| Other Purposes | - | - | - | 2,104,718 | 873 |
| Liability Insurance Pool | | - | - | - | - |
| Unrestricted | 98,790,818 | 17,821,082 | 116,611,900 | 1,662,463 | 2,055,915 |
| Total Net Assets | $ 747,861,790 | $ 332,397,278 | $ 1,080,259,068 | $ 5,442,081 | $ 2,056,788 |

The notes to the financial statements are an integral part of this statement.

## Statement of Activities

| Function/Program Activities | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| **Governmental Activities:** | | | | |
| General Government | $ 19,856,554 | $ 3,189,992 | $ 2,347,828 | $ 225,616 |
| Public Safety: | | | | |
| Fire Protection | 18,960,776 | 159,449 | 496,618 | - |
| Police Protection | 24,729,968 | 293,515 | 309,573 | 23,282 |
| Highways and Streets | 35,227,133 | 650,765 | 776,204 | 30,420,920 |
| Public Health | 7,395,904 | 3,392,462 | 2,167,590 | - |
| Culture and Recreation: | | | | |
| Arena | 1,252,649 | 242,003 | - | - |
| Libraries | 5,885,357 | 213,198 | 824,054 | 8,916 |
| Parks and Recreation | 16,608,957 | 1,094,668 | 1,908,766 | 750,025 |
| Pavilion | 4,949,697 | - | - | - |
| Urban and Economic Development: | | | | |
| Convention Center/CVB | 2,753,108 | 11,525 | - | - |
| Community Development | 2,947,552 | 413,201 | 1,626,207 | - |
| Neighborhood Revitalization | 43,619 | - | 150,000 | - |
| TIF | 1,262,055 | - | - | - |
| Planning and Building Services | 4,300,531 | 2,965,711 | 270,039 | - |
| Interest on Long-Term Debt | 3,270,391 | - | - | - |
| **Total Governmental Activities** | 149,444,251 | 12,626,489 | 10,876,879 | 31,428,759 |
| **Business-type Activities:** | | | | |
| Electric Light | 5,629,189 | 6,277,407 | - | 1,017,384 |
| Public Parking | 2,136,712 | 2,543,085 | - | - |
| Sanitary Landfill | 6,505,768 | 7,840,266 | 4,516 | 8,795 |
| Water | 19,673,830 | 19,814,189 | - | 5,471,504 |
| Water Reclamation | 14,298,947 | 12,453,800 | 70,000 | 4,271,433 |
| **Total Business-type Activities** | 48,244,446 | 48,928,747 | 74,516 | 10,769,116 |
| **Total Government** | $ 197,688,697 | $ 61,555,236 | $ 10,951,395 | $ 42,197,875 |
| **Component Units:** | | | | |
| Housing & Redevelopment Commission | $ 10,657,056 | $ 588,264 | $ 9,968,536 | $ - |
| Metro Communications Agency | 3,692,859 | 2,480,785 | 1,443,767 | - |
| | $ 14,349,915 | $ 3,069,049 | $ 11,412,303 | $ - |
| **General Revenues:** | | | | |
| Taxes: | | | | |
| Property Tax | | | | |
| Sales Tax | | | | |
| Frontage Tax | | | | |
| Amusement Tax | | | | |
| Unrestricted State and County Shared Revenues | | | | |
| Unrestricted Investment Earnings | | | | |
| Miscellaneous Revenue, Net | | | | |
| **Transfers** | | | | |
| Total General Revenues and Transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning | | | | |
| Net Assets - Ending | | | | |

The notes to the financial statements are an integral part of this statement.

## Statement of Activities (cont)

| Net (Expense) Revenue and Changes in Net Assets | | | | |
|---|---|---|---|---|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-type Activities | Total | Housing and Redevelopment Commission | Metro Communications Agency |
| $ (14,093,118) | $ - | $ (14,093,118) | | |
| (18,304,709) | - | (18,304,709) | | |
| (24,103,598) | - | (24,103,598) | | |
| (3,379,244) | - | (3,379,244) | | |
| (1,835,852) | - | (1,835,852) | | |
| (1,010,646) | - | (1,010,646) | | |
| (4,839,189) | - | (4,839,189) | | |
| (12,855,498) | - | (12,855,498) | | |
| (4,949,697) | - | (4,949,697) | | |
| (2,741,583) | - | (2,741,583) | | |
| (908,144) | - | (908,144) | | |
| 106,381 | - | 106,381 | | |
| (1,262,055) | - | (1,262,055) | | |
| (1,064,781) | - | (1,064,781) | | |
| (3,270,391) | - | (3,270,391) | | |
| (94,512,124) | - | (94,512,124) | | |
| - | 1,665,602 | 1,665,602 | | |
| - | 406,373 | 406,373 | | |
| - | 1,347,809 | 1,347,809 | | |
| - | 5,611,863 | 5,611,863 | | |
| - | 2,496,286 | 2,496,286 | | |
| - | 11,527,933 | 11,527,933 | | |
| (94,512,124) | 11,527,933 | (82,984,191) | | |
| | | | $ (100,256) | $ 231,693 |
| | | | (100,256) | 231,693 |
| 37,755,218 | - | 37,755,218 | - | - |
| 93,503,420 | - | 93,503,420 | - | - |
| 8,962,556 | - | 8,962,556 | - | - |
| 14,304 | - | 14,304 | - | - |
| 7,202,802 | - | 7,202,802 | - | - |
| 6,326,364 | 4,149,547 | 10,475,911 | 92,170 | - |
| 298,205 | (90,904) | 207,301 | - | - |
| (972,758) | 972,758 | - | - | - |
| 153,090,111 | 5,031,401 | 158,121,512 | 92,170 | - |
| 58,577,987 | 16,559,334 | 75,137,321 | (8,086) | 231,693 |
| 689,283,803 | 315,837,944 | 1,005,121,747 | 5,450,167 | 1,825,095 |
| $ 747,861,790 | $ 332,397,278 | $ 1,080,259,068 | $ 5,442,081 | $ 2,056,788 |

City of Sioux Falls
Comprehensive Annual Financial Report
December 31, 2008

## Balance Sheet - Governmental Funds

| | General | Entertainment Tax | Sales and Use Tax |
|---|---|---|---|
| **Assets** | | | |
| Cash and Cash Equivalents | $ 42,345,237 | $ 5,353,021 | $ 25,168,255 |
| Receivables: | | | |
| Taxes-Delinquent | 1,211,848 | - | - |
| Accounts (net of allowance for uncollectibles) | 1,662,789 | - | - |
| Interest and Penalty | 592,542 | 32,700 | 12,233 |
| Special Assessments | 35,877 | - | 1,336,532 |
| Rehabilitation Loans and Grants | - | - | - |
| Due from Other Funds | 41,140 | - | - |
| Due from Other Governments | 2,110,377 | 179,148 | 1,486,519 |
| Inventory of Supplies and Stores | 1,842,231 | - | - |
| Notes Receivable | - | - | 1,068,776 |
| Total Assets | $ 49,842,041 | $ 5,564,869 | $ 29,072,315 |
| **Liabilities and Fund Balances** | | | |
| **Liabilities** | | | |
| Accounts Payable | $ 639,922 | $ 36,823 | $ 593,816 |
| Interest Payable | - | 108,047 | 157,443 |
| Due to Other Funds | | - | - |
| Accrued Wages | 3,487,091 | - | - |
| Bond Anticipation Notes | - | - | - |
| Deposits | 29,700 | - | - |
| Deferred Revenue | 928,507 | - | 1,268,577 |
| Total Liabilities | 5,085,220 | 144,870 | 2,019,836 |
| **Fund Balances** | | | |
| Reserved for: | | | |
| Inventories | 1,842,231 | - | - |
| Encumbrances | - | 68,241 | 10,564,369 |
| Debt Service | - | 2,151,223 | 8,791,486 |
| Notes Receivable | - | - | 1,068,776 |
| Other Purposes | 811,735 | - | 102,388 |
| Unreserved Designated for: | | | |
| 2009 Budget | - | 373,217 | - |
| Capital Projects | - | 669,575 | 6,525,460 |
| Unreserved Undesignated, Reported in: | | | |
| General Fund | 42,102,855 | - | - |
| Special Revenue Funds | - | 2,157,743 | - |
| Capital Project Funds | - | - | - |
| Permanent Funds | - | - | - |
| Total Fund Balances | 44,756,821 | 5,419,999 | 27,052,479 |
| Total Liabilities and Fund Balances | $ 49,842,041 | $ 5,564,869 | $ 29,072,315 |

The notes to the financial statements are an integral part of this statement.

## Balance Sheet - Governmental Funds (cont)

| Community Development | Storm Drainage | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| $ 1,140,121 | $ 4,201,759 | $ 19,102,050 | $ 97,310,443 |
| - | - | - | 1,211,848 |
| - | 65,586 | 8,813 | 1,737,188 |
| 9,907 | 38,266 | 199,998 | 885,646 |
| - | - | - | 1,372,409 |
| 16,403,096 | - | - | 16,403,096 |
| - | - | - | 41,140 |
| - | - | 19,857 | 3,795,901 |
| - | - | 1,051,982 | 2,894,213 |
| 441,445 | - | - | 1,510,221 |
| $ 17,994,569 | $ 4,305,611 | $ 20,382,700 | $ 127,162,105 |
| $ 69,441 | $ 435,492 | $ 754,490 | $ 2,529,984 |
| - | 5,399 | 253,967 | 524,856 |
| - | - | 41,140 | 41,140 |
| 25,977 | 35,820 | 190,785 | 3,739,673 |
| - | - | 5,449,390 | 5,449,390 |
| - | - | - | 29,700 |
| 16,796,109 | - | - | 18,993,193 |
| 16,891,527 | 476,711 | 6,689,772 | 31,307,936 |
| - | - | 1,051,982 | 2,894,213 |
| - | 1,082,785 | 7,038,882 | 18,754,277 |
| - | - | - | 10,942,709 |
| - | - | - | 1,068,776 |
| 895,668 | - | 26,749 | 1,836,540 |
| - | 104,401 | - | 477,618 |
| - | 1,718,658 | - | 8,913,693 |
| - | - | - | 42,102,855 |
| 207,374 | 923,056 | 2,042,742 | 5,330,915 |
| - | - | 3,476,000 | 3,476,000 |
| - | - | 56,573 | 56,573 |
| 1,103,042 | 3,828,900 | 13,692,928 | 95,854,169 |
| $ 17,994,569 | $ 4,305,611 | $ 20,382,700 | $ 127,162,105 |

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

| | | |
|---|---|---|
| Total Fund Balances for Governmental Funds | | $ 95,854,169 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Capital Assets | $ 1,052,403,523 | |
| Accumulated Depreciation | (342,029,391) | 710,374,132 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 1,297,732 |
| Internal service funds are used by management to charge the costs of fleet management, insurance programs, and technology equipment to individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Assets as follows: | | |
| Governmental Activities | 29,539,085 | |
| Business-Type Activities | (1,308,401) | 28,230,684 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| Installment Obligations | (639,088) | |
| Notes Payable-Revenue | (33,581,292) | |
| Bonds Payable-Revenue | (50,159,260) | |
| Accrued Sick Leave | (9,254,017) | (93,633,657) |
| Long-term receivables are not due and receivable in the current period and therefore are not reported in the funds. | | 5,738,730 |
| Net Assets of Governmental Activities | | $ 747,861,790 |

The notes to the financial statements are an integral part of this statement.

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## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

| | General | Entertainment Tax | Sales and Use Tax |
|---|---|---|---|
| **Revenues** | | | |
| Taxes: | | | |
| Property | $ 37,718,048 | $ - | $ - |
| Sales | 45,179,704 | 5,127,021 | 41,568,499 |
| Frontage | 3,734,400 | - | - |
| Lodging | 572,173 | - | - |
| Amusement | 14,304 | - | - |
| Penalties and Interest | 66,737 | - | - |
| Special Assessments | 23,949 | - | 394,029 |
| Licenses and Permits | 4,620,792 | - | - |
| Intergovernmental | 9,441,843 | - | 1,328,895 |
| Charges for Goods and Services | 5,239,486 | 11,525 | - |
| Fines and Forfeitures | 1,148,449 | - | - |
| Investment Revenue | 3,521,754 | 227,864 | 222,718 |
| Rentals/Operating Leases | 459,977 | - | - |
| Contributions | 218,862 | - | 1,053,161 |
| Miscellaneous Revenue | 88,056 | - | 194 |
| Total Revenues | 112,048,534 | 5,366,410 | 44,567,496 |
| **Expenditures** | | | |
| Current: | | | |
| General Government | 12,004,046 | - | 28,520 |
| Public Safety | 42,147,680 | - | - |
| Highways and Streets | 17,853,737 | - | 1,481 |
| Public Health | 7,145,393 | - | 26,950 |
| Culture and Recreation | 18,117,832 | 1,785,513 | - |
| Urban and Economic Development | 5,160,199 | 1,084,311 | - |
| Debt Service: | | | |
| Principal | - | 1,350,000 | 6,773,625 |
| Interest and Fiscal Charges | - | 946,055 | 1,977,114 |
| Capital Outlay | | | |
| General Government | - | - | 139,640 |
| Public Safety | 7,695 | - | 2,186,273 |
| Highways and Streets | - | - | 28,931,762 |
| Public Health | | - | 71,362 |
| Culture and Recreation | | 928,052 | 10,596,876 |
| Urban and Economic Development | - | 73,280 | 342,907 |
| Enterprise | - | - | 57,268 |
| Total Expenditures | 102,436,582 | 6,167,211 | 51,133,778 |
| Revenues Over (Under) Expenditures | 9,611,952 | (800,801) | (6,566,282) |
| **Other Financing Sources (Uses)** | | | |
| Sale of Surplus Property | 39,928 | 256 | 77,559 |
| Damage Recovery | 30,522 | - | - |
| Revenue Note Proceeds | - | - | - |
| Revenue Bond Proceeds | - | - | - |
| Transfers In | - | - | 237,097 |
| Transfers Out | (4,273,274) | - | - |
| Total Other Financing Sources (Uses) | (4,202,824) | 256 | 314,656 |
| Net Change in Fund Balances | 5,409,128 | (800,545) | (6,251,626) |
| **Fund Balances, January 1** | 39,347,693 | 6,220,544 | 33,304,105 |
| **Fund Balances, December 31** | $ 44,756,821 | $ 5,419,999 | $ 27,052,479 |

The notes to the financial statements are an integral part of this statement.

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds (cont)

| Community Development | Storm Drainage | Other Governmental Funds | Total |
|---|---|---|---|
| $ - | $ - | $ 37,170 | $ 37,755,218 |
| - | - | - | 91,875,224 |
| - | 5,228,156 | - | 8,962,556 |
| - | - | - | 572,173 |
| - | - | - | 14,304 |
| - | - | - | 66,737 |
| - | 1,742,729 | - | 2,160,707 |
| - | - | - | 4,620,792 |
| 1,626,207 | - | 3,836,166 | 16,233,111 |
| - | - | 732,878 | 5,983,889 |
| - | - | 180 | 1,148,629 |
| 104,446 | 190,083 | 909,198 | 5,176,063 |
| 413,202 | - | - | 873,179 |
| - | 400,130 | 154,270 | 1,826,423 |
| 8,330 | 32,205 | 1,692 | 130,477 |
| 2,152,185 | 7,593,303 | 5,671,554 | 177,399,482 |
| - | - | 6,898,032 | 18,930,598 |
| - | - | - | 42,147,680 |
| - | 1,381,954 | 116,671 | 19,353,843 |
| - | - | - | 7,172,343 |
| - | - | 4,979 | 19,908,324 |
| 2,960,573 | - | 1,305,674 | 10,510,757 |
| - | 91,055 | - | 8,214,680 |
| - | 25,116 | 311,298 | 3,259,583 |
| - | - | 874 | 140,514 |
| - | - | - | 2,193,968 |
| - | 6,819,893 | 4,018,418 | 39,770,073 |
| - | - | - | 71,362 |
| - | - | 10,505,568 | 22,030,496 |
| - | - | - | 416,187 |
| - | - | 496,455 | 553,723 |
| 2,960,573 | 8,318,018 | 23,657,969 | 194,674,131 |
| (808,388) | (724,715) | (17,986,415) | (17,274,649) |
| - | - | 902 | 118,645 |
| - | 840 | - | 31,362 |
| - | 976,468 | - | 976,468 |
| - | - | 3,324,260 | 3,324,260 |
| 264,500 | - | 4,008,774 | 4,510,371 |
| - | - | - | (4,273,274) |
| 264,500 | 977,308 | 7,333,936 | 4,687,832 |
| (543,888) | 252,593 | (10,652,479) | (12,586,817) |
| 1,646,930 | 3,576,307 | 24,345,407 | 108,440,986 |
| $ 1,103,042 | $ 3,828,900 | $ 13,692,928 | $ 95,854,169 |

**City of Sioux Falls**
**Comprehensive Annual Financial Report**
**Year Ended December 31, 2008**

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

| | | |
|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds | | $ (12,586,817) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as deprecation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | | |
| Expenditures for Capital Assets | $ 65,176,325 | |
| Gains/Losses on Capital Assets | (1,399,270) | |
| Capital Assets transferred from Business-type Activities | 3,000 | |
| Capital Assets transferred to Business-type Activities | (1,212,855) | |
| Less Current Year Depreciation | (28,158,756) | 34,408,444 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | |
| Developer Contributions of Infrastructure | | 27,727,391 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | |
| Principal Payments | 8,214,680 | |
| Revenue Bond Proceeds | (3,324,260) | |
| Revenue Note Proceeds | (976,468) | 3,913,952 |
| Some revenues reported in the Statement of Activities do not provide current financial resources and therefore are not reported as revenues in governmental funds. | | |
| Due From Other Governments - Taxes | | 2,353,755 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated Absences | | (573,325) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported within governmental activities. | | 3,334,588 |
| Change in Net Assets of Governmental Activities | | $ 58,577,988 |

The notes to the financial statements are an integral part of this statement.

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## Statement of Net Assets - Proprietary Funds

| | Enterprise Funds | | |
|---|---|---|---|
| | Electric Light | Public Parking | Sanitary Landfill |
| **Assets** | | | |
| **Current:** | | | |
| Cash and Cash Equivalents | $ 2,057,584 | $ 3,614,656 | $ 11,025,532 |
| Investments | - | - | - |
| Receivables, net: | | | |
| Accounts | 500,459 | 6,101 | 641,576 |
| Interest | 20,356 | 36,357 | 109,988 |
| Special Assessments | - | - | - |
| Unbilled | 233,642 | - | - |
| Due From Other Funds | - | - | - |
| Due From Other Governments | - | - | 16,766 |
| Inventory of Supplies and Stores | 411,857 | - | 9,303 |
| Total Current Assets | 3,223,898 | 3,657,114 | 11,803,165 |
| **Noncurrent:** | | | |
| Unamortized Debt Issuance Costs | - | 55,500 | - |
| Deposits | | - | - |
| Capital Assets: | | | |
| Land | 1,366 | 4,623,198 | 1,779,970 |
| Buildings | 417,522 | - | 3,501,666 |
| Improvements Other Than Buildings | 9,250 | 16,690,621 | 9,247,937 |
| Machinery and Equipment | 929,824 | 388,598 | 2,424,109 |
| Infrastructure | 25,499,108 | - | 2,926,975 |
| Intangibles | - | - | - |
| Construction in Progress | 497,887 | - | 1,874,105 |
| Less: Accumulated Depreciation | (11,226,431) | (11,671,392) | (5,744,782) |
| Total Noncurrent Assets | 16,128,526 | 10,086,525 | 16,009,980 |
| Total Assets | 19,352,424 | 13,743,639 | 27,813,145 |
| **Liabilities** | | | |
| **Current:** | | | |
| Accounts Payable | 320,612 | 13,859 | 602,420 |
| Accrued Wages | 44,122 | 36,679 | 66,272 |
| Prepaid Revenue | - | 137,649 | - |
| Accrued Interest Payable | - | 17,843 | 42,695 |
| Incurred But Not Reported Claims | - | - | - |
| Due To Other Funds | 3,025 | - | - |
| Installment Obligations | - | - | 315,132 |
| Notes Payable-Revenue | - | - | 327,790 |
| Bonds Payable-Revenue | - | 380,000 | - |
| Deposits | 38,191 | 20,843 | 6,300 |
| Total Current Liabilities | 405,950 | 606,873 | 1,360,609 |
| **Noncurrent:** | | | |
| Accrued Compensated Absences | 211,744 | 100,965 | 242,963 |
| Rebatable Arbitrage | - | - | - |
| Closure & Postclosure Care Costs | - | - | 6,020,908 |
| Installment Obligations | - | - | 1,395,499 |
| Notes Payable-Revenue | - | - | 1,843,832 |
| Bonds Payable-Revenue | - | 2,235,000 | - |
| Total Noncurrent Liabilities | 211,744 | 2,335,965 | 9,503,202 |
| Total Liabilities | 617,694 | 2,942,838 | 10,863,811 |
| **Net Assets:** | | | |
| Invested in Capital Assets, Net of Related Debt | 16,128,526 | 7,923,525 | 13,927,727 |
| Restricted for Liability Insurance Pool | - | - | - |
| Restricted for Debt Service | - | 533,222 | - |
| Restricted for Capital Replacement | - | - | - |
| Unrestricted | 2,606,204 | 2,344,054 | 3,021,607 |
| Total Net Assets | $ 18,734,730 | $ 10,800,801 | $ 16,949,334 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | |
| **Net assets of business-type activities** | | | |

The notes to the financial statements are an integral part of this statement.

## Statement of Net Assets - Proprietary Funds (cont)

| Enterprise Funds (cont) | | | Internal |
|---|---|---|---|
| Water | Water Reclamation | Total | Service Funds |
| $ 44,068,690 | $ 10,951,452 | $ 71,717,914 | $ 20,402,037 |
| 39,859 | - | 39,859 | |
| 700,350 | 544,930 | 2,393,416 | 374,352 |
| 1,335,128 | 114,328 | 1,616,157 | 208,381 |
| 257,979 | - | 257,979 | - |
| 869,034 | 809,444 | 1,912,120 | - |
| 18,067 | - | 18,067 | - |
| - | - | 16,766 | 17,239 |
| 2,111,008 | 294,316 | 2,826,484 | 527,511 |
| 49,400,115 | 12,714,470 | 80,798,762 | 21,529,520 |
| - | - | 55,500 | - |
| - | - | - | 1,141,359 |
| 6,154,916 | 596,741 | 13,156,191 | - |
| 16,365,542 | 6,522,092 | 26,806,822 | 113,145 |
| 45,000 | 186,449 | 26,179,257 | 421,120 |
| 24,626,644 | 9,178,255 | 37,547,430 | 23,056,305 |
| 188,286,267 | 212,182,649 | 428,894,999 | - |
| 41,327,116 | - | 41,327,116 | - |
| 3,861,247 | 1,189,919 | 7,423,158 | 16,247 |
| (64,857,910) | (79,994,229) | (173,494,744) | (14,357,191) |
| 215,808,822 | 149,861,876 | 407,895,729 | 10,390,985 |
| 265,208,937 | 162,576,346 | 488,694,491 | 31,920,505 |
| 275,501 | 510,584 | 1,722,976 | 73,595 |
| 217,510 | 169,670 | 534,253 | 102,129 |
| - | - | 137,649 | - |
| 917,666 | 232,043 | 1,210,247 | 10,808 |
| - | - | - | 1,300,000 |
| - | 15,042 | 18,067 | - |
| - | - | 315,132 | 172,879 |
| 2,885,667 | 3,629,735 | 6,843,192 | - |
| - | - | 380,000 | - |
| 273,666 | - | 339,000 | - |
| 4,570,010 | 4,557,074 | 11,500,516 | 1,659,411 |
| 726,301 | 534,070 | 1,816,043 | 165,595 |
| 529,922 | - | 529,922 | - |
| - | - | 6,020,908 | - |
| - | - | 1,395,499 | 556,414 |
| 16,669,617 | 45,594,277 | 64,107,726 | - |
| 70,000,000 | - | 72,235,000 | - |
| 87,925,840 | 46,128,347 | 146,105,098 | 722,009 |
| 92,495,850 | 50,685,421 | 157,605,614 | 2,381,420 |
| 164,842,990 | 100,637,864 | 303,460,632 | 8,520,333 |
| - | - | - | 1,141,359 |
| 2,215,643 | - | 2,748,865 | - |
| - | 8,366,699 | 8,366,699 | - |
| 5,654,454 | 2,886,362 | 16,512,681 | 19,877,393 |
| $ 172,713,087 | $ 111,890,925 | 331,088,877 | $ 29,539,085 |
| | | 1,308,401 | |
| | | $ 332,397,278 | |

# Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds

| | Enterprise Funds | | |
|---|---|---|---|
| | Electric Light | Public Parking | Sanitary Landfill |
| **Operating Revenues:** | | | |
| Charges for Goods and Services | $ 6,268,877 | $ - | $ - |
| Fines and Forfeitures | 8,530 | - | - |
| Pledged as Security for Revenue Bonds and Notes: | | | |
| Charges for Goods and Services | - | 2,130,538 | 7,840,086 |
| Fines and Forfeitures | - | 412,547 | 180 |
| Total Operating Revenues | 6,277,407 | 2,543,085 | 7,840,266 |
| **Operating Expenses:** | | | |
| Personnel Services | 476,281 | 805,073 | 1,554,399 |
| Casualty Loss | - | - | - |
| Insurance | 9,359 | 32,195 | 15,530 |
| Professional Services | 200,390 | 289,732 | 801,194 |
| Rent | 58,666 | 2,555 | 526,434 |
| Repairs and Maintenance | 271,864 | 91,993 | 258,445 |
| Supplies and Materials | 60,204 | 29,111 | 596,051 |
| Utilities and Bulk Energy | 3,507,014 | 109,169 | 75,097 |
| Depreciation | 1,044,114 | 639,653 | 1,884,972 |
| Other Current Expenses | 15,281 | 1,906 | 694,540 |
| Total Operating Expenses | 5,643,173 | 2,001,387 | 6,406,662 |
| Operating Income (Loss) | 634,234 | 541,698 | 1,433,604 |
| **Nonoperating Revenues (Expenses):** | | | |
| Investment Revenue | 108,614 | 190,459 | 651,903 |
| Gain (Loss) on Capital Assets | 10,480 | 43 | 5,324 |
| Rent/Operating Leases | 11,241 | 1,200 | 24,915 |
| Cost Recovery | - | - | - |
| Contributions | - | - | 91,719 |
| Miscellaneous | 1,914 | 2,223 | 31,242 |
| Federal Grants | - | - | - |
| State Grants | - | - | 4,516 |
| Interest Expense and Fiscal Agent Charges | - | (162,138) | (125,116) |
| Total Nonoperating Revenues (Expenses) | 132,249 | 31,787 | 684,503 |
| Income (Loss) Before Contributions and Transfers | 766,483 | 573,485 | 2,118,107 |
| Capital Contributions | 1,017,384 | 1,212,855 | 8,795 |
| Transfers In | - | - | - |
| Transfers Out | (5,665) | - | - |
| Change in Net Assets | 1,778,202 | 1,786,340 | 2,126,902 |
| **Total Net Assets - January 1** | 16,956,528 | 9,014,461 | 14,822,432 |
| **Total Net Assets - December 31** | $ 18,734,730 | $ 10,800,801 | $ 16,949,334 |

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

**Change in Net Assets of Business-type Activities**

The notes to the financial statements are an integral part of this statement.

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds (cont)

| Enterprise Funds | | | Internal Service Funds |
|---|---|---|---|
| Water | Water Reclamation | Total | |
| $ - | $ - | $ 6,268,877 | $ 19,269,689 |
| - | - | 8,530 | - |
| 19,808,549 | 12,453,800 | 42,232,973 | - |
| 5,640 | - | 418,367 | - |
| 19,814,189 | 12,453,800 | 48,928,747 | 19,269,689 |
| 4,745,809 | 3,464,889 | 11,046,451 | 1,664,943 |
| - | - | - | 9,657,518 |
| 90,871 | 110,242 | 258,197 | 1,110,886 |
| 1,061,174 | 456,128 | 2,808,618 | 1,369,848 |
| 157,556 | 202,954 | 948,165 | 38,220 |
| 1,131,033 | 470,997 | 2,224,332 | 144,009 |
| 1,950,430 | 458,554 | 3,094,350 | 1,090,697 |
| 1,337,004 | 1,064,738 | 6,093,022 | 16,947 |
| 5,458,724 | 6,820,137 | 15,847,600 | 1,925,439 |
| 431,126 | 116,743 | 1,259,596 | 132,399 |
| 16,363,727 | 13,165,382 | 43,580,331 | 17,150,906 |
| 3,450,462 | (711,582) | 5,348,416 | 2,118,783 |
| 2,549,608 | 648,963 | 4,149,547 | 1,083,564 |
| 236,074 | (8,116) | 243,805 | 149,915 |
| 94,112 | 3,241 | 134,709 | - |
| 113,564 | 315,841 | 429,405 | - |
| 175 | 2 | 91,896 | 220,943 |
| (68,048) | (714,244) | (746,913) | 17,813 |
| - | 70,000 | 70,000 | - |
| - | - | 4,516 | 42,133 |
| (3,669,502) | (1,238,919) | (5,195,675) | (10,808) |
| (744,017) | (923,232) | (818,710) | 1,503,560 |
| 2,706,445 | (1,634,814) | 4,529,706 | 3,622,343 |
| 5,471,504 | 4,271,433 | 11,981,971 | - |
| 5,665 | - | 5,665 | - |
| - | (240,097) | (245,762) | - |
| 8,183,614 | 2,396,522 | 16,271,580 | 3,622,343 |
| 164,529,473 | 109,494,403 | | 25,916,742 |
| $ 172,713,087 | $ 111,890,925 | | $ 29,539,085 |
| | | 287,754 | |
| | | $ 16,559,334 | |

## Statement of Cash Flows - Proprietary Funds

| | Enterprise Funds | |
|---|---|---|
| | Electric Light | Public Parking |
| **Cash Flows Provided by Operating Activities:** | | |
| Receipts from Customers | $ 4,451,208 | $ 2,118,281 |
| Cash Receipts from Interfund Services Provided | 1,658,478 | 56,185 |
| Payments to Suppliers | (4,027,583) | (537,549) |
| Payment for Interfund Services Used | (38,279) | (6,271) |
| Payments to Employees | (461,049) | (834,597) |
| Claims Paid | - | - |
| Other Receipts | 11,230 | 415,394 |
| Net Cash Provided by Operating Activities | 1,594,005 | 1,211,443 |
| **Cash Flows Provided (Used) By Noncapital Financing Activities:** | | |
| Advance From Other Funds | - | (61,400) |
| Subsidy from Federal Grant | - | - |
| Subsidy from State Grant | - | - |
| Transfers Out | - | - |
| Net Cash Flows Provided (Used) By Noncapital Financing Activities | - | (61,400) |
| **Cash Flows Provided (Used) By Capital and Related Financing Activities:** | | |
| Sale of Capital Assets | 12,560 | 43 |
| Purchase of Capital Assets | (821,740) | - |
| Interest Payments | - | (165,285) |
| Proceeds from Revenue Notes | - | - |
| Principal Payments-Revenue Notes | - | - |
| -Bonds | - | (360,000) |
| -Installment Obligations | - | - |
| Net Cash Flows (Used) By Capital and Related Financing Activities | (809,180) | (525,242) |
| **Cash Flows Provided By Investing Activities:** | | |
| Sale and Maturity of Investments | - | - |
| Rent Received | 11,241 | 1,200 |
| Investment Revenue Received | 88,258 | 187,393 |
| Net Cash Flows Provided By Investing Activities | 99,499 | 188,593 |
| Net Increase in Cash & Cash Equivalents During the Year | 884,324 | 813,394 |
| **Cash and Cash Equivalents, January 1** | 1,173,260 | 2,801,262 |
| **Cash and Cash Equivalents, December 31** | $ 2,057,584 | $ 3,614,656 |
| **Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities:** | | |
| Operating Income (Loss) | $ 634,234 | $ 541,698 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | |
| Depreciation | 1,044,114 | 639,653 |
| Amortization | - | 9,384 |
| (Increase) Decrease in-Receivables | (160,591) | (3,518) |
| -Inventory | (2,287) | - |
| -Due From Other Funds | 1,400 | - |
| -Due From Other Governments | - | - |
| Increase (Decrease) in-Accounts Payable | 59,203 | 3,457 |
| -Accrued Wages | 6,199 | 3,183 |
| -Prepaid Revenue | - | 47,446 |
| -Compensated Absences | 9,033 | (32,707) |
| -Deposits | 717 | 625 |
| -Other Accrued Liabilities | - | - |
| -Due To Other Funds | 69 | - |
| Other Revenue Sources (Uses) | 1,914 | 2,222 |
| Net Cash Provided By Operating Activities | $ 1,594,005 | $ 1,211,443 |
| **Noncash Investing, Capital and Financing Activities:** | | |
| Capital Contributions | $ 1,017,384 | $ 1,212,855 |
| Capital Assets Acquired with Capital Lease | - | - |
| Change in Fair Value of Investments | - | - |
| Capital Transferred to Governmental Funds | - | - |
| Capital Transfers | (5,665) | - |

The notes to the financial statements are an integral part of this statement.

## Statement of Cash Flows - Proprietary Funds (cont)

| Enterprise Funds (cont) | | | | Internal |
|---|---|---|---|---|
| Sanitary Landfill | Water | Water Reclamation | Total | Service Funds |
| $ 7,693,964 | $ 19,653,183 | $ 12,444,069 | $ 46,360,705 | $ 4,068,203 |
| 18,451 | 261,198 | 47,251 | 2,041,563 | 15,224,285 |
| (2,643,432) | (6,529,410) | (2,337,183) | (16,075,157) | (4,077,406) |
| (6,035) | (52,846) | (84,446) | (187,877) | 8,455 |
| (1,515,750) | (4,580,148) | (3,445,407) | (10,836,951) | (1,639,616) |
| - | - | - | - | (9,657,518) |
| 769,559 | 9,536 | (397,827) | 807,892 | 59,946 |
| 4,316,757 | 8,761,513 | 6,226,457 | 22,110,175 | 3,986,349 |
| | | | | |
| - | - | - | (61,400) | - |
| - | - | 70,000 | 70,000 | - |
| 4,516 | - | - | 4,516 | - |
| - | - | (237,097) | (237,097) | - |
| 4,516 | - | (167,097) | (223,981) | - |
| | | | | |
| 5,324 | 347,212 | 111 | 365,250 | 246,761 |
| (4,746,752) | (21,972,706) | (5,940,763) | (33,481,961) | (2,144,043) |
| (146,209) | (3,678,460) | (1,331,894) | (5,321,848) | - |
| 69,966 | 3,470,297 | 3,083,011 | 6,623,274 | - |
| (128,378) | (2,689,044) | (2,983,362) | (5,800,784) | - |
| - | - | - | (360,000) | - |
| (325,360) | - | - | (325,360) | (198,818) |
| (5,271,409) | (24,522,701) | (7,172,897) | (38,301,429) | (2,096,100) |
| | | | | |
| - | 19,076 | - | 19,076 | - |
| 24,915 | 94,112 | 3,241 | 134,709 | - |
| 676,784 | 3,126,402 | 670,117 | 4,748,954 | 1,086,187 |
| 701,699 | 3,239,590 | 673,358 | 4,902,739 | 1,086,187 |
| (248,437) | (12,521,598) | (440,179) | (11,512,496) | 2,976,436 |
| 11,273,969 | 56,590,288 | 11,391,631 | 83,230,410 | 17,425,601 |
| $ 11,025,532 | $ 44,068,690 | $ 10,951,452 | $ 71,717,914 | $ 20,402,037 |
| | | | | |
| $ 1,433,604 | $ 3,450,462 | $ (711,582) | $ 5,348,416 | $ 2,118,783 |
| | | | | |
| 1,884,972 | 5,458,724 | 6,820,137 | 15,847,600 | 1,925,439 |
| - | - | - | 9,384 | - |
| (129,988) | (135,471) | 37,520 | (392,048) | (11,457) |
| (8,659) | (363,072) | 33,213 | (340,805) | (5,326) |
| - | (646) | - | 754 | - |
| 2,317 | - | - | 2,317 | 34,256 |
| 326,483 | 181,959 | 425,514 | 996,616 | (160,619) |
| 13,349 | 35,827 | 17,036 | 75,594 | 26,862 |
| - | - | - | 47,446 | - |
| 25,300 | 129,834 | 2,446 | 133,906 | (1,535) |
| 1,450 | (41,795) | - | (39,003) | - |
| 644,968 | - | - | 644,968 | - |
| - | - | 577 | 646 | - |
| 122,961 | 45,691 | (398,404) | (225,616) | 59,946 |
| $ 4,316,757 | $ 8,761,513 | $ 6,226,457 | $ 22,110,175 | $ 3,986,349 |
| | | | | |
| $ 8,795 | $ 5,471,504 | $ 4,271,433 | | |
| 742,898 | - | - | | |
| - | (1,445) | - | | |
| - | - | (3,000) | | |
| - | 5,665 | - | | |

## Statement of Fiduciary Net Assets - Fiduciary Funds

| | Pension Trust Funds |
|---|---|
| **Assets** | |
| Cash and Cash Equivalents | $ 2,754,909 |
| Receivables: | |
| Accounts | 278,375 |
| Interest | 954,758 |
| Total Receivables | 1,233,133 |
| Investments at Fair Value: | |
| US Government | 2,954,282 |
| Corporate Obligations | 35,936,705 |
| Foreign Obligations | 10,202,138 |
| State and Local Obligations | 580,702 |
| Domestic Stocks | 46,724,601 |
| Foreign Stocks | 4,267,516 |
| Index Funds: | |
| Equity | 40,991,268 |
| Government / Corporate Bonds | 35,253,524 |
| Mutual Funds: | |
| Foreign Equity | 44,023,190 |
| Domestic Equity | 21,882,413 |
| Real Estate | 11,932,079 |
| Total Investments | 254,748,418 |
| Total Assets | 258,736,460 |
| **Liabilities** | |
| Accrued Wages | 4,099 |
| Total Liabilities | 4,099 |
| **Net Assets** | |
| Held in Trust for Pension and Health Benefits | $ 258,732,361 |

The notes to the financial statements are an integral part of this statement.

## Statement of Changes in Fiduciary Net Assets - Fiduciary Funds

| | Pension Trust Funds |
|---|---|
| **Additions** | |
| Contributions | |
| Employer | $ 10,396,692 |
| Plan Members | 2,922,458 |
| Total Contributions | 13,319,150 |
| Investment Income (Loss) | (97,230,752) |
| Less Investment Expense | 701,585 |
| Net Investment Income (Loss) | (97,932,337) |
| Total Additions | (84,613,187) |
| **Deductions** | |
| Benefit Payments | |
| Pension | 14,445,808 |
| Health Premiums | 1,092,613 |
| Total Benefit Payments | 15,538,421 |
| Refunds | 298,003 |
| Administrative Expense | 268,372 |
| Total Deductions | 16,104,796 |
| Net Increase (Decrease) | (100,717,983) |
| **Total Net Assets, January 1** | 359,450,344 |
| **Total Net Assets, December 31** | $ 258,732,361 |

The notes to the financial statements are an integral part of this statement.

# Notes to Financial Statements

## Note 1—Summary of Significant Accounting Policies

### A. BASIS OF PRESENTATION

The financial statements of the City have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### B. REPORTING ENTITY

The City of Sioux Falls is a municipality chartered under the constitution of the State of South Dakota and is governed by a Council, including a full-time Mayor who is vested with the executive and administrative powers of the City, as well as eight part-time Council members who serve in a policy-making and legislative capacity.

The accompanying financial statements present the City and its component units. Blended component units are entities which are legally separate from the City but which are so intertwined with the City that they are, in substance, the same as the City. Discretely presented component units are entities for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

#### Blended Component Units

**The Sioux Falls Building Authority** was organized by the City of Sioux Falls in 1986 for the purpose of financing, owning, and leasing property to meet the needs of the City. The Authority is governed by a board comprised of the members of the City's governing council. The Authority is reported as part of the Water enterprise fund and therefore does not issue separate financial statements.

**The Sioux Falls Regional Emergency Medical Services Authority** was created by the City of Sioux Falls in 1996 to provide oversight and set/review quality of service provided by all EMS responders within Sioux Falls. The Authority is governed by a five member board appointed by the Mayor and comprised of community members. The Authority board functions as an advisory board related to the area of ambulance service in the community. Health Department employees provide support to the Authority board, which operates as an advisory board to the City Council. The Authority has no revenue, expenses, assets, or liabilities of it's own; therefore, no financial data is presented for the Authority within this report.

#### Discretely Presented Component Units

**Metro Communications Agency** was jointly formed by the City of Sioux Falls and Minnehaha County in 1980. In 2007, the City and County entered into a subsequent joint cooperative agreement changing the composition and structure of Metro Communications to an administrative agency with its own standing, separate and apart from the governmental organizations of either the City or the County, effective on January 1, 2008.

The agency is governed by a five member Council which includes the Mayor, two members of the City Council appointed by the Mayor, and two County Commissioners. The agency is responsible for county-wide public safety dispatch, maintenance of centralized dispatch records, and the maintenance and purchasing of related communication equipment. The Metro Communications Agency financial results presented within this report are for fiscal year-end as of December 31, 2008. Complete financial statements are available at the administrative offices located at 500 North Dakota Avenue in Sioux Falls, South Dakota.

The **Housing and Redevelopment Commission** of the City of Sioux Falls, South Dakota (Housing Commission), was organized pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low-income public housing pursuant to the United States Housing Act of 1937 (42 United States Code Section 1431 et seq.). The Mayor appoints the five members of the governing board. However, the City has no further accountability for the Housing Commission. In 2008, the Community Development Special Revenue Fund provided $196,982 of federal grant proceeds to the Housing Commission for housing assistance. The Housing Commission's fiscal year end presented in this report is September 30, 2008. Complete financial statements are available at the administrative offices located at 630 South Minnesota Avenue in Sioux Falls, South Dakota.

### C. BASIC FINANCIAL STATEMENTS (GASB 34)

The basic financial statements are prepared in conformity with GASB Statement No. 34 and presented on both the government-wide and fund financial level. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

#### Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net assets and the statement of activities or changes in net assets, report information on all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund and internal service fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and governmental and internal service funds.

## Notes to Financial Statements

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

**D. FINANCIAL STATEMENT PRESENTATION**

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added the Entertainment Tax Fund and the Storm Drainage Fund as they both have significant outstanding debt. The non-major funds are combined in a column in the fund financial statements and are detailed in the combining statements section.

The government reports the following **major governmental funds:**

The **General Fund** is the government's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue sources include property and sales taxes, licenses and permits, state and county shared revenues, and charges for goods and services. In addition to general government, primary expenditures include public safety, highways and streets, health, library, and parks and recreation.

The **Entertainment Tax Fund** accounts for the collection of a 1 percent tax on lodging, sales of alcoholic beverages, prepared meals, as well as ticket sales and admissions. This tax is used to retire the 2001B sales/use tax revenue refunding bonds for the construction of the Convention Center and Washington Pavilion of Arts and Science and to provide operating funds for the two facilities.

The **Sales and Use Tax Fund** accounts for capital improvement projects and debt service funded by the second cent (.92) of City sales tax.

The **Community Development Fund** accounts for all activities financed by the Community Development Block Grant funds and similar Federal grant and loan programs.

The **Storm Drainage Fund** accounts for the activities financed by drainage and storm sewer fees as well as expenditures of state revolving loans used to make capital improvements to the storm drainage system.

**Other governmental (non-major) funds** is a compilation of all of the non-major governmental funds. These include additional special revenue, capital projects, and permanent funds.

The government reports the following **major proprietary funds:**

The **Electric Light Fund** accounts for the activities of the government's electric distribution operations.

The **Public Parking Facilities Fund** accounts for the activities of the government's parking system which provides on- and off-street parking in the downtown area.

The **Sanitary Landfill Fund** accounts for the activities of the government's landfill operations.

The **Water Fund** accounts for the activities of the government's water distribution system.

The **Water Reclamation Fund** accounts for the activities of the government's wastewater collection and treatment system.

## Notes to Financial Statements

Additionally, the government reports the following fund types:

The **internal service funds** account for health, workers' compensation, liability insurance, technology equipment and fleet management services provided to other departments of the government, or to other governments, on a cost reimbursement basis.

The **pension trust funds** account for the activities of the City Employee's Retirement System and the City Firefighters' Pension Fund, which accumulates resources for pension benefit payments to qualified City employees.

### E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. This focus concentrates on the fund's net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus concentrates on the fund's resources available for spending currently or in the near future. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for certain debt service, compensated absences and claim and judgment expenditures.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are susceptible to accrual as revenue of the current period when the lien attaches to the benefited properties. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then, unrestricted resources as they are needed.

### F. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

**Cash and Cash Equivalents—**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are identified only for the purpose of the Statement of Cash Flows.

A pooled cash account is maintained for all City funds except for Community Development. Those funds that have an average negative balance in the cash account are charged interest at the rate earned by the pool. Interest earnings are allocated to those funds that have an average positive balance in the cash account.

**Investments—**

Investments are stated at fair value based on quoted market prices. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties.

**Receivables and Payables—**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current interfund loans) or "advances to/from other funds" (i.e., non-current interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

## Notes to Financial Statements

All receivables are shown net of an allowance for uncollectible accounts. This allowance is equal to estimated losses that may be incurred in collection of outstanding receivables.

**Inventories and Prepaid Items—**

Inventories for both governmental and business-type funds are stated using the weighted average method. The cost of inventory is recognized as an expense in both the fund and the government-wide financial statements when used (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets—**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer lines, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $7,500, and estimated useful life in excess of one year. Additions or improvements that significantly add value to an asset such as extending the useful life of an asset or increasing its capacity or efficiency are capitalized. Other costs for repairs and maintenance are expensed as incurred. The cost of equipment in excess of $5,000 is inventoried for purposes of federal grant reporting.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City chose to include all general infrastructure assets (those reported in the governmental activities), regardless of acquisition date or amount, using backtrending analysis to estimate historical costs.

Capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| | |
|---|---|
| **Primary Government**: | |
| Buildings: | |
| Structures | 40 years |
| Remodeling and renovation | 15 years |
| Improvements other than buildings: | |
| Park improvements | 10 - 30 years |
| Other | 5 - 25 years |
| Machinery and equipment: | |
| Furniture and fixtures | 10 - 20 years |
| Office equipment | 5 - 10 years |
| Computer equipment | 2 - 5 years |
| Library books | 10 years |
| Vehicles | 4 - 10 years |
| Heavy equipment | 10 - 20 years |
| Utility system equipment | 20 - 40 years |
| Other | 5 - 20 years |
| Infrastructure: | |
| Streets | 15 - 40 years |
| Traffic signals | 15 years |
| Street and parking area lighting | 15 years |
| Light distribution lines | 40 years |
| Water distribution mains | 50 years |
| Water reclamation lines | 25 years |
| Storm drainage pipe | 25 years |
| Other | 20 - 50 years |
| **Component Units:** | |
| **Housing Commission:** | |
| Buildings | 25 - 40 years |
| Modernization improvements | 15 years |
| Equipment | 5 years |
| Furnishings | 5 years |
| **Metro Communications Agency:** | |
| Equipment | 25 - 50 years |

**Net Assets/Fund Balance**

The difference between assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund financial statements, and "Fund Balance" on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance that are not available to be appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Long-term Obligations—**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## Notes to Financial Statements

### G. REVENUES AND EXPENDITURES/EXPENSES

**Compensated Absences—**

It is the City's policy to permit employees to accumulate earned but unused vacation, comp time, and sick pay benefits. The accumulation of unused vacation and comp time is limited based upon employee classification. Upon separation, the City will reimburse the employee for accumulated vacation and comp time not to exceed established maximums. The amount of unused sick leave accumulation is not limited. Upon retirement, or upon separation in good standing for employees not represented by a bargaining unit, the City reimburses eligible employees a portion of unused sick leave. All compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Vacation, comp time, and sick leave accruals are recognized as a long-term liability which will generally be liquidated from the General Fund. Thus, the governmental fund financial statements accrue vacation and comp time benefits only to the extent that they have matured due to retirement or separation from the City.

**Grant Revenue—**

The City recognizes grant revenues when all applicable eligibility requirements, including time requirements, are met. The City follows the policy that if expenditures of funds are the prime factor for determining eligibility for the grant funds, revenue is recognized at the time of the expenditure.

**Retirement and Other Post-Employment Benefits—**

The City has two separate retirement plans covering substantially all full-time and regular part-time employees. It is the City's policy to fund the normal costs and amortization of the unfunded prior service costs and to account for such costs on the accrual basis (See Note 9).

**Self-Insurance—**

The City is self-insured for workers' compensation, unemployment compensation, property casualty losses (deductible portion only), and health-life benefits (up to $250,000 per individual). Liabilities are recorded when a determinable claim or loss has been incurred and the amount of the loss can reasonably be estimated.

**Deferred Revenue—**

As sources of revenue become measurable, even though not currently available, they are generally recorded as a receivable and a deferred revenue in governmental funds. When the sources of revenue become available for use, they are recognized as revenue.

### H. ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## Note 2—Stewardship, Compliance, and Accountability

### A. Compliance with Finance-Related Legal and Contractual Provisions

The City incurred no material violations of finance-related legal and contractual provisions.

### B. Excess of Expenditures Over Appropriations at the Legal Level of Control

The City incurred no material excess of expenditures over appropriations at the legal level of control.

### C. Net Assets/Fund Balance Deficits

The City had two funds with a negative fund balance at year end. The non-major Special Revenue - Railroad Relocation Fund has a negative balance of $32,558 as the project is federally funded on a reimbursement basis. The non-major Capital Project - Special Assessment Construction Fund has a negative fund balance of $3,350,639. Bond Anticipation Notes (BANS) were issued in 2008 to fund the initial construction of streets to be assessed on the adjacent properties. The BANS are to be repaid with special assessments bond proceeds which are authorized to be sold in 2009 upon completion of the projects and assessment of adjacent properties. Based upon these circumstances, both funds have a liability without a corresponding asset pending reimbursement or the issuance of bonds.

## Note 3—Detailed Notes On All Funds

### A. Deposits and Investments

The City maintains a pooled cash portfolio that is used by substantially all City funds using the pooled deposit and investment concept. This concept provides the City with the ability to maximize earnings on idle fund monies while ensuring that the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the City Council. The pool consists of checking accounts, savings accounts, certificates of deposit, and securities guaranteed either directly or indirectly by the United States Government, including money market accounts, which are stated at market value. Fund equity in the pool is shown as cash and cash equivalents in all financial statements.

**Governmental and Business-Type Funds**

*Investment Policy:* The City has an adopted investment policy, conforming to all applicable laws of the State of South Dakota, which serves as the guide to the deposit and investment of operating funds which are managed within the City's pooled cash portfolio. This policy sets forth the City's investment objectives as well as authorized and suitable deposits and investments, and serves as a guide for proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the City's investment program as set forth by the investment

## Notes to Financial Statements

policy is safety of principal. Investment decisions are made under the assumption that, except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

There are certain deposits and investments that are held in trust for debt service or for specific purposes outside of the pooled cash portfolio and the adopted investment policy. These assets are governed by state law (SDCL 4-5-6) which sets forth eligible deposits and investments for the City. The same deposits and investments are allowed under both the City's investment policy and state law.

Allowable deposits and investments include:

a. Securities issued by the United States Treasury
b. Securities issued by government-sponsored enterprises (GSE's) or federally related institutions that are guaranteed directly or indirectly by the U.S. government (U.S. Agencies).
c. Mutual and money market funds that invest in (a) or (b)
d. Repurchase agreements fully collateralized by (a) or (b)
e. Certificates of Deposits (100% collateralized)
f. Deposit and Savings Accounts (100% collateralized)

*Credit Risk.* The credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's pooled cash investment policy allows for the investment in individual securities with maturities of five years or less from the date of purchase, and mutual and money market funds holding securities with maturities of five years or less. Outside of the pooled cash portfolio, the City does have a very small number of Governmental National Mortgage Association pooled securities with maturities in excess of 5 years. The chart below summarizes the credit quality of the City's investment holdings.

*Custodial Credit Risk.* The custodial credit risk for deposits and investments is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. City deposits in excess of depository insurance must be 100 percent collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. As of December 31, 2008, the deposits of the City were $109.0 million. No depository fell below the 100 percent of pledged collateral required as of December 31, 2008. Other investments are held for safekeeping in the City's name by Treasury Direct or by a qualified bank or trustee pursuant to SDCL 4-5-9.

*Concentration of credit risk.* Concentration risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's pooled cash investment policy limits the City pooled cash portfolio to hold no more than 20 percent of the total pool investments in the deposit of a single financial institution and the exposure to federal agency securities, secured directly or indirectly, to no more than 40 percent of the total portfolio. No institution exceeded these established limits as of December 31, 2008.

*Interest rate risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The below chart summarizes the City's deposits and investments using segmented time distribution. The City's pooled cash policy limits pooled cash investments to a maturity of five years or less to ensure adequate liquidity and minimize the impact of changes in interest rates. In matching investments to liabilities, the City does invest in longer-term Treasury and Agency securities outside of the pooled cash portfolio for specific obligations such as bond reserve funds.

| Deposit/Investment Type | Credit Rating | Fair Value | Less Than 1 Year | 1-3 Years | 3-5 Years | 5 or more Years |
|---|---|---|---|---|---|---|
| (a) U.S. Treasury Notes | N/A | $ 29,624,133 | $ - | $ 12,722,500 | $ 14,113,750 | $ 2,787,883 |
| (b) U. S. Agency Securities* | AAA | 35,381,537 | 11,415,759 | 15,185,995 | 8,740,712 | 39,071 |
| (c) Money Market Funds | AAA | 14,336,485 | 14,336,485 | - | - | - |
| (d) Repurchase Agreements** | N/A | 1,099,500 | - | 1,099,500 | - | - |
| (e) Certificates of Deposit | N/A | 91,636,506 | 91,636,506 | - | - | - |
| (f) Cash | N/A | 17,392,092 | 17,392,092 | - | - | - |
| **Total** | | $ 189,470,253 | $ 134,780,842 | $ 29,007,995 | $ 22,854,462 | $ 2,826,954 |

* All agency securities are either Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or Federal Home Loan Bank System.
** The underlying securities are U.S. Treasury Notes held in the City's name

### Component Units

The Housing and Redevelopment Commission falls under South Dakota statutes (SDCL) 11-7-31, with supplementary authority granted under SDCL 4-5-6, in regards to permitted deposits and investments. The Commission has no further investment policy as to interest, credit, or concentration risk. As of September, 30, 2008, the deposits of the Authority were fully insured or collateralized as required by SDCL 4-6A. All deposits as of September 30, 2008, are in certificates of deposit.

The Metro Communication Agency's deposits in excess of depository insurance must be 100 percent collateralized.

## Notes to Financial Statements

Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

### Fiduciary Funds

*Investment Policy:*

The pension trust funds are governed by the prudent person rule, that is, the Board of Trustees should use the same degree of skill, care, prudence and diligence, under the circumstances then prevailing, of a prudent person, familiar with such matters and acting in a similar capacity as set forth by state law (SDCL 9-16-5.10 and City Ordinance Section 35). Under this standard, the Board of Trustees has an established investment policy which outlines the distinction of responsibilities, prohibitions, diversification, and performance measurement standards.

The policy prohibits the use of any securities whose effect would be to leverage the portfolio or whose expected returns are significantly unlike those expected from their appropriate asset classes.

Deposits and Investments as of December 31, 2008, consisted of the following:

| Fiduciary Fund Investments | Fair Value |
|---|---|
| Cash Deposits | $ 258,221 |
| Money Market Fund | 2,496,688 |
| U.S. Treasury & Agency Obligations | 2,954,282 |
| Municipal Obligations | 580,702 |
| Corporate Obligations | 46,138,843 |
| Domestic Fixed Income - Index Funds | 35,253,524 |
| Domestic Stock - Separate Management | 46,724,601 |
| Domestic Stocks - Index Funds: | 40,991,268 |
| Domestic Stocks - Mutual Funds | 21,882,413 |
| International Stocks - Separate Management | 4,267,516 |
| International Stocks - Mutual Funds | 44,023,190 |
| Real Estate - Mutual Funds | 11,932,079 |
| **Total Fiduciary Fund Deposits and Investments** | $ 257,503,327 |

*Custodial Credit Risk.* The cash deposits of the fiduciary funds are held by the City within the general deposit cash account and subject to the same requirements as discussed for the governmental and business-type funds.

*Credit Risk*: In addition to a diversified index fund, the City uses one separately managed account for the management of fixed income securities. The investment policy requires that all individual securities separately managed must be rated "A" or better at the time of purchase. As of December 31, 2008, the separately managed portfolio consisted of the following securities:

| Name | Rating | Amount | Effective Duration(yrs.) | Contribution to Duration(yrs.) |
|---|---|---|---|---|
| U.S. Treasuries | TSY | $ 2,954,282 | 29.0 | 1.72 |
| Corporate Notes and Bonds | AAA | 1,196,887 | 12.7 | 0.30 |
| Corporate Notes and Bonds | AA | 2,838,013 | 11.1 | 0.63 |
| Corporate Notes and Bonds | A | 36,576,161 | 11.2 | 8.22 |
| Corporate Notes and Bonds | BBB | 2,322,911 | 6.2 | 0.29 |
| Corporate Notes and Bonds | <BB | 28,600 | 0.0 | 0.00 |
| Asset Backed Securities | AAA | 3,369,661 | 7.7 | 0.52 |
| Municipal Bonds | AA | 580,702 | 10.5 | 0.12 |
| Cash | | 47,005 | 0.0 | 0.00 |
| Total | | $ 49,914,222 | | 11.80 |

The City's money market account for temporary cash held within the fiduciary funds has an average maturity of 41 days. There are no restrictions on the type of investments within the money market account; however, the account is AAA rated.

*Concentration Risk*: The City's investment policy prohibits the separately managed fixed income account to holding no more than five percent of the portfolio's market value in the securities of a single issuer or related issuer with the exception of U.S. guaranteed debt. There are no further concentration restrictions.

*Foreign Currency Risk*: Foreign currency is the risk that changes in exchange rates will adversely affect the fair value of an investment. The City prohibits the use of individual bonds which do not pay in U.S. dollars within the separately managed fixed income account.

### B. Property Tax

Real property tax levies are established on or before October 1 of each year. Taxes are recorded as receivable, levied, and attached as an enforceable lien on property as of January 1 of each year. Taxes are payable in two installments on or before April 30 and October 31 of that year. The County bills and collects the City taxes and remits them to the City. The City accrues all delinquent property tax revenues received within 30 days after December 31. No accrual for the property tax levy becoming due in January of 2009 is included in the accompanying financial statements, since such taxes are collected to finance expenditures budgeted for the subsequent period.

The City is permitted by State statute to levy an increase of no more than the lesser of three percent or the index factor, as defined in the statutes, over the amount of revenue receivable from real property taxes in the preceding year, excluding the amount levied pursuant to an affirmative two-thirds vote of the governing body. After applying the index factor, the City may increase the revenue from real property taxes above the limitations by the percentage increase of value resulting from any improvements or change in use of real property, annexation, minor boundary changes, and any adjustments in taxation of property separately classified and subject to statutory adjustments and reductions, only if assessed the same as property of equal value. Property tax revenue may also be increased for the scheduled payment increases on bonded indebtedness incurred prior to December 31, 1996, and for a levy directed by the order of a court for the purpose of paying a judgment against the City.

The combined tax rate to finance municipal services for year-ended December 31, 2008, was $4.32 per $1,000 of taxable valuation.

## Notes to Financial Statements

C. Receivables

Receivables for the City's individual major funds and aggregate nonmajor, internal service, and fiduciary and component units in aggregate, including the applicable allowances for uncollectible accounts, are as follows at December 31, 2008:

| Primary Government | Taxes | Accounts | Interest & Penalty | Special Assessments | Notes Receivable | Loans Receivable | Unbilled | Allowance for Uncollectibles | Total |
|---|---|---|---|---|---|---|---|---|---|
| Governmental Activities | | | | | | | | | |
| General | $ 1,211,848 | $ 2,021,486 | $ 592,542 | $ 35,877 | $ - | $ - | $ - | $ (358,697) | $ 3,503,056 |
| Entertainment Tax | - | - | 32,700 | - | - | - | - | - | 32,700 |
| Sales/Use Tax | - | - | 12,233 | 1,336,532 | 1,068,776 | - | - | - | 2,417,541 |
| Community Development | - | - | 9,907 | - | 441,445 | 16,634,670 | - | (231,574) | 16,854,448 |
| Storm Drainage | - | 65,586 | 38,266 | - | - | - | - | - | 103,852 |
| Nonmajor Funds | - | 9,097 | 199,998 | - | - | - | - | (284) | 208,811 |
| Internal Service Funds | - | 376,267 | 208,381 | - | - | - | - | (1,915) | 582,733 |
| Total Governmental Activities | 1,211,848 | 2,472,436 | 1,094,027 | 1,372,409 | 1,510,221 | 16,634,670 | - | (592,470) | 23,703,141 |
| Business-type Activities | | | | | | | | | |
| Electric Light | - | 527,229 | 20,356 | - | - | - | 233,642 | (26,770) | 754,457 |
| Public Parking Facilities | - | 7,167 | 36,357 | - | - | - | - | (1,066) | 42,458 |
| Sanitary Landfill | - | 660,924 | 109,988 | - | - | - | - | (19,348) | 751,564 |
| Water | - | 758,988 | 1,335,128 | 257,979 | - | - | 869,034 | (58,638) | 3,162,491 |
| Water Reclamation | - | 659,258 | 114,328 | - | - | - | 809,444 | (114,328) | 1,468,702 |
| Total Business-type Activities | - | 2,613,566 | 1,616,157 | 257,979 | - | - | 1,912,120 | (220,150) | 6,179,672 |
| Fiduciary Funds | | | | | | | | | |
| Employee's Retirement | - | 205,839 | 692,512 | - | - | - | - | - | 898,351 |
| Firefighters' Pension | - | 72,536 | 262,246 | - | - | - | - | - | 334,782 |
| Total Fiduciary Funds | - | 278,375 | 954,758 | - | - | - | - | - | 1,233,133 |
| Total Primary Government | $ 1,211,848 | $ 5,364,377 | $ 3,664,942 | $ 1,630,388 | $ 1,510,221 | $ 16,634,670 | $ 1,912,120 | $ (812,620) | $ 31,115,946 |
| Non current portion | $ - | $ - | $ - | $ 1,451,250 | $ - | $ 16,479,321 | $ - | $ - | $ 17,930,571 |
| **Component Units** | | | | | | | | | |
| Housing Commission | $ - | $ 113,416 | $ 3,623 | $ - | $ 16,180 | $ - | $ - | $ - | $ 133,219 |
| Metro Communications Agency | $ - | $ 7,245 | $ - | $ - | $ - | $ - | $ - | $ - | $ 7,245 |

### D. Interfund Receivables and Payables

Interfund receivables and payables result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

The composition of individual interfund receivable and payable balances at December 31, 2008, was as follows:

**Due to/from other funds:**

| Receivable fund | Payable fund | Amount |
|---|---|---|
| General Fund | Nonmajor governmental funds | |
| | Railroad Relocation | $ 41,140 |
| Water | Electric Light | 3,025 |
| | Water Reclamation | 15,042 |
| | | 18,067 |
| | | $ 59,207 |

## Notes to Financial Statements

### E. Due from other Governments

Amounts Due from Other Governments include the following at December 31, 2008:

| | Due from | | | |
|---|---|---|---|---|
| | Federal | State | Local | Total |
| **Primary Government:** | | | | |
| **Governmental Activities** | | | | |
| General Fund | $ 62,342 | $ 4,782,967 | $ 119,307 | $ 4,964,616 |
| Entertainment Tax | - | 452,761 | - | 452,761 |
| Sales/Use Tax | - | 4,097,397 | - | 4,097,397 |
| Railroad Relocation | 8,582 | - | - | 8,582 |
| Transit | - | - | 11,275 | 11,275 |
| Total Governmental Activities | 70,924 | 9,333,125 | 130,582 | 9,534,631 |
| **Business-type Activities** | | | | |
| Enterprise Funds | | | | |
| Landfill | - | 189 | 16,577 | 16,766 |
| Total Enterprise Funds | - | 189 | 16,577 | 16,766 |
| Internal Service Funds | | | | |
| Fleet Revolving | - | - | 17,239 | 17,239 |
| Total Internal Service Funds | - | - | 17,239 | 17,239 |
| Total Primary Government | $ 70,924 | $ 9,333,314 | $ 164,398 | $ 9,568,636 |
| **Component Unit** | | | | |
| **Housing Commission** | $ 47,749 | $ - | $ - | $ 47,749 |

### F. Interfund Transfers

Transfers are used to move revenues from the fund with collection authorization to the fund with expenditure authorization and move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The financial statements reflect interfund transfers as follows:

| | Transfer in: | | | | | |
|---|---|---|---|---|---|---|
| | Sales and Use Tax | Community Development | Nonmajor Governmental Funds | Water | General Capital Assets | Total |
| **Transfer out:** | | | | | | |
| General Fund | $ - | $ 264,500 | $ 4,008,774 | $ - | $ - | $ 4,273,274 |
| Light | - | - | - | 5,665 | - | 5,665 |
| Water Reclamation | 237,097 | - | - | - | 3,000 | 240,097 |
| | $ 237,097 | $ 264,500 | $ 4,008,774 | $ 5,665 | $ 3,000 | $ 4,519,036 |

## Notes to Financial Statements

### G. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

| Primary Government: | Beginning Balance | Additions | Transfers & Retirements | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Non-Depreciable Assets: | | | | |
| Land | $ 118,004,754 | $ 6,308,043 | $ (966,351) | $ 123,346,446 |
| Intangibles (Rights) | 1,270,944 | 1,214,251 | - | 2,485,195 |
| Construction in Progress | 5,975,567 | 79,190,363 | (67,297,780) | 17,868,150 |
| Depreciable Assets: | | | | |
| Buildings | 147,099,738 | 2,064,424 | (1,036,096) | 148,128,066 |
| Improvements other than Buildings | 105,656,044 | 8,018,831 | (915,192) | 112,759,683 |
| Equipment | 62,819,753 | 6,629,747 | (3,600,105) | 65,849,395 |
| Infrastructure | 551,866,211 | 58,421,811 | (4,714,617) | 605,573,405 |
| Totals at Historical Cost | 992,693,011 | 161,847,470 | (78,530,141) | 1,076,010,340 |
| Accumulated Depreciation | | | | |
| Buildings | (54,762,928) | (5,781,587) | 303,976 | (60,240,539) |
| Improvements other than Buildings | (56,241,114) | (3,021,598) | 542,828 | (58,719,884) |
| Equipment | (37,430,617) | (5,609,054) | 2,662,566 | (40,377,105) |
| Infrastructure | (186,091,715) | (15,671,956) | 4,714,617 | (197,049,054) |
| Total Accumulated Depreciation | (334,526,374) | (30,084,195) | 8,223,987 | (356,386,582) |
| Governmental Activities Capital Assets, net | $ 658,166,637 | $ 131,763,275 | $ (70,306,154) | $ 719,623,758 |
| **Business-type Activities:** | | | | |
| Non-Depreciable Assets: | | | | |
| Land | $ 10,737,258 | $ 2,418,933 | $ - | $ 13,156,191 |
| Intangibles (Rights) | 30,939,631 | 10,387,485 | - | 41,327,116 |
| Construction in Progress | 5,588,850 | 43,802,521 | (41,968,213) | 7,423,158 |
| Depreciable Assets: | | | | |
| Buildings | 26,806,822 | - | - | 26,806,822 |
| Improvements other than Buildings | 24,223,547 | 1,981,068 | (25,358) | 26,179,257 |
| Equipment | 33,282,421 | 4,922,172 | (657,163) | 37,547,430 |
| Infrastructure | 404,288,565 | 24,695,140 | (88,706) | 428,894,999 |
| Totals at Historical Cost | 535,867,094 | 88,207,319 | (42,739,440) | 581,334,973 |
| Accumulated Depreciation | | | | |
| Buildings | (6,937,817) | (710,681) | - | (7,648,498) |
| Improvements other than Buildings | (13,970,169) | (2,184,920) | 110,864 | (16,044,225) |
| Equipment | (16,946,432) | (1,655,130) | 419,364 | (18,182,198) |
| Infrastructure | (120,409,580) | (11,296,869) | 86,626 | (131,619,823) |
| Total Accumulated Depreciation | (158,263,998) | (15,847,600) | 616,854 | (173,494,744) |
| Business-type Activities Capital Assets, net | $ 377,603,096 | $ 72,359,719 | $ (42,122,586) | $ 407,840,229 |
| Total Primary Government Capital Assets, net | $ 1,035,769,733 | $ 204,122,994 | $ (112,428,740) | $ 1,127,463,987 |

## Notes to Financial Statements

| Component Units | Beginning Balance | Additions | Retirements | Ending Balance |
|---|---|---|---|---|
| Housing Commission | | | | |
| Non-Depreciable Assets: | | | | |
| Land | $ 504,280 | $ - | $ - | $ 504,280 |
| Depreciable Assets: | | | | |
| Buildings | 3,691,198 | 7,391 | - | 3,698,589 |
| Improvements other than Buildings | 39,467 | - | - | 39,467 |
| Equipment | 823,162 | 2,191 | - | 825,353 |
| Totals at Historical Cost | 5,058,107 | 9,582 | - | 5,067,689 |
| Less Accumulated Depreciation: | | | | |
| Buildings | (2,029,359) | (111,922) | - | (2,141,281) |
| Improvements other than Buildings | (12,728) | (2,276) | - | (15,004) |
| Equipment | (571,945) | (47,727) | - | (619,672) |
| Total Accumulated Depreciation | (2,614,032) | (161,925) | - | (2,775,957) |
| Total Housing Commission Capital Assets, net | $ 2,444,075 | $ (152,343) | $ - | $ 2,291,732 |
| Metro Communications Agency | | | | |
| Depreciable Assets: | | | | |
| Equipment | $ - | $ 2,043,981 | $ - | $ 2,043,981 |
| Vehicles | - | 22,799 | - | 22,799 |
| Totals at Historical Cost | - | 2,066,780 | - | 2,066,780 |
| Less Accumulated Depreciation: | | | | |
| Equipment | - | (708,824) | - | (708,824) |
| Vehicles | - | (13,679) | - | (13,679) |
| Total Accumulated Depreciation | - | (722,503) | - | (722,503) |
| Total Metro Communications Agency Capital Assets, net | $ - | $ 1,344,277 | $ - | $ 1,344,277 |

## Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

| **Governmental Activities:** | **Amount** |
|---|---|
| General Government | $ 1,144,638 |
| Public Safety | 1,942,327 |
| Highways & Streets | 15,856,092 |
| Health | 244,231 |
| Culture & Recreation | 8,166,364 |
| Urban & Economic Development | 805,104 |
| Capital Assets Held By The Government's Internal Service Funds | 1,925,439 |
| Total Depreciation Expense - Governmental Activities | $ 30,084,195 |
| | |
| **Business-type Activities:** | |
| Electric Light | $ 1,044,114 |
| Public Parking Facilities | 639,653 |
| Sanitary Landfill | 1,884,972 |
| Water | 5,458,724 |
| Water Reclamation | 6,820,137 |
| Total Depreciation Expense - Business-type Activities | $ 15,847,600 |

## Notes to Financial Statements

Projects included in construction in progress for the primary government along with construction improvement commitments to be financed from encumbrances and unreserved fund balances carried forward into future years are as follows:

| Project | Project Authorization | Expended to 12/31/2008 | Committed |
|---|---|---|---|
| City Hall Power Supply | $ 413,401 | $ 44,391 | $ 369,010 |
| Renovation of City Buildings | 5,782 | 5,782 | - |
| Remodel Former Health Building and City Hall | 114,000 | 48,312 | 65,688 |
| Arena Locker and Officials Room | 64,401 | - | 64,401 |
| Engineering Infrastructure Projects | 12,989,252 | 3,971,564 | 9,017,688 |
| Railroad Relocation Plan | 9,640,832 | - | 9,640,832 |
| Fire Truck | 658,035 | 253,003 | 405,032 |
| Construction Fire Station #11 | 60,000 | - | 60,000 |
| Restore Fire Hose Tower | 11,900 | 11,900 | - |
| Fire Station #5 | 1,775,157 | 738,948 | 1,036,209 |
| City/County Health & Human Services Building | 29,138 | - | 29,138 |
| Police Tactical Firearms Training | 29,000 | - | 29,000 |
| Downtown Historic Revitalization | 150,000 | - | 150,000 |
| Phillips Avenue Visual Art | 50,000 | 12,500 | 37,500 |
| Main Library Renovation | 12,527,567 | 5,325,772 | 7,201,795 |
| Street Overlay Projects | 977,846 | - | 977,846 |
| Equipment Storage Building Improvements | 23,151 | 20,317 | 2,834 |
| Fleet Gasboy Equipment | 35,714 | 16,247 | 19,467 |
| Light Projects | 1,936,510 | 497,888 | 1,438,622 |
| Arboretum Park | 19,700 | 19,700 | - |
| Bakker Park Renovation | 1,306 | - | 1,306 |
| Bike Trail Station Points | 55,000 | 3,336 | 51,664 |
| Bike Trail Construction/Reconstruction | 1,430,571 | 34,396 | 1,396,175 |
| Drake Springs Pool | 4,700,001 | 3,188,769 | 1,511,232 |
| Elmen Park Trailhead | 157,494 | - | 157,494 |
| Elmwood Park | 62,318 | 32,327 | 29,991 |
| Falls Park | 1,420,039 | 618,861 | 801,178 |
| Fawick Park | 47,040 | 5,542 | 41,498 |
| Galway Park | 141,801 | - | 141,801 |
| Great Bear Improvements | 153,109 | 76,342 | 76,767 |
| Great Plains Zoo Rhino Exhibit | 105,778 | 105,778 | - |
| Great Plains Zoo Master Plan | 1,132,511 | 99,197 | 1,033,314 |
| Great Plains Zoo Waterfowl | 12,225 | - | 12,225 |
| Green Hills Park Development | 295,881 | 14,237 | 281,644 |
| Harmodon Park | 215,125 | - | 215,125 |
| Jefferson Park | 29,280 | 6,280 | 23,000 |
| Judee Estates Development | 16,200 | 12,943 | 3,257 |
| Kuehn Park Improvements | 26,522 | - | 26,522 |
| Legacy Park | 32,353 | - | 32,353 |
| Park Land Acquisition | 84,433 | - | 84,433 |
| Park Roads and Parking Lot Improvements | 55,701 | 585 | 55,116 |
| Playcourt Cyclic Reconstruction | 22,381 | - | 22,381 |
| Prairie Meadows Park | 56,746 | 8,000 | 48,746 |
| Marion Road Park Improvements | 1,503 | - | 1,503 |
| McCart Park | 67,101 | 36,404 | 30,697 |
| McKennan Park | 60,231 | 4,598 | 55,633 |
| Memorial Park | 7,358 | 7,358 | - |
| Northwest Sioux Falls Park/School Site | 350,000 | - | 350,000 |
| Oak View Park | 5,150 | 5,150 | - |
| Riverfront Greenway Improvements | 157,401 | 96,402 | 60,999 |
| Sertoma Park | 6,245 | - | 6,245 |
| Sherman Park | 179,073 | 10,027 | 169,046 |
| Southeast Brandon Park/School Site | 302,540 | - | 302,540 |
| Southern Vistas Park/School Site | 292,408 | - | 292,408 |
| Terrace Park | 70,000 | - | 70,000 |
| Thelin Park | 287,128 | 47,328 | 239,800 |
| Tomar Park | 92,800 | 10,698 | 82,102 |
| Tuthill Park | 654,219 | 501,242 | 152,977 |
| Yankton Trail Park | 7,617 | - | 7,617 |
| Landfill Closure Pre-Subtitle D Area | 721,916 | - | 721,916 |
| Landfill Expansion | 2,538,001 | 915,873 | 1,622,128 |
| Landfill Gas System | 75,000 | - | 75,000 |
| Landfill Gas Utilization | 2,227,403 | 781,626 | 1,445,777 |
| Landfill Land Acquisition | 357,298 | - | 357,298 |
| Landfill Leachate Management System | 75,121 | - | 75,121 |
| Landfill Perimeter Fencing | 89,500 | - | 89,500 |
| Landfill Pre-Subtitle D Area Leachate/Gas Extraction System | 177,622 | - | 177,622 |
| Landfill Public Drop-off Area | 89,735 | - | 89,735 |
| Landfill Leachate Ponds | 100,000 | - | 100,000 |
| Landfill Leachate Recirculation Infrastructure | 51,500 | - | 51,500 |
| Landfill Sedimentation Pond & Wetlands | 277,001 | 11,548 | 265,453 |
| Landfill Wetland Mitigation | 165,057 | 165,057 | - |
| Washington Pavilion Art Storage HVAC | 234,568 | 193,821 | 40,747 |
| Washington Pavilion Cold Weather Compressor | 1,000 | - | 1,000 |
| Washington Pavilion Exterior Building Doors Replacement | 50,000 | - | 50,000 |
| Washington Pavilion Great Hall Amplifier Room | 47,354 | 963 | 46,391 |
| Washington Pavilion Window Replacement | 581,529 | 54,121 | 527,408 |
| Storm Sewer Projects | 5,410,742 | 2,223,513 | 3,187,229 |
| Storm Drainage Land Acquisition | 140,185 | 1,500 | 138,685 |
| Water Projects | 33,462,918 | 3,861,249 | 29,601,669 |
| Water Reclamation Projects | 15,975,717 | 1,189,918 | 14,785,799 |
| | $ 117,155,137 | $ 25,291,308 | $ 91,863,829 |

## Notes to Financial Statements

### H. Long-Term Liabilities

### Changes in Long-Term Liabilities

The following is a summary of changes in long-term debt, including the current portion, of the City of Sioux Falls for the year ended December 31, 2008.

| | Balance Beginning | Additions | Deletions | Balance Ending | Due Within One Year |
|---|---|---|---|---|---|
| **Primary Government** | | | | | |
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| Revenue | $ 51,510,000 | $ 3,324,260 | $ 4,675,000 | $ 50,159,260 | $ 5,830,000 |
| Obligations Under Capital Lease | 705,216 | 928,111 | 264,947 | 1,368,380 | 244,845 |
| Notes Payable | 36,078,376 | 976,468 | 3,473,552 | 33,581,292 | 3,536,967 |
| **Total Debt** | 88,293,592 | 5,228,839 | 8,413,499 | 85,108,932 | 9,611,812 |
| Accrued Compensated Absences | | | | | |
| Governmental Funds | 8,852,062 | 5,567,565 | 5,165,610 | 9,254,017 | 5,200,000 |
| Internal Service Funds | 167,130 | 68,790 | 70,325 | 165,595 | 71,000 |
| Total Governmental Activities | 97,312,784 | 10,865,194 | 13,649,434 | 94,528,544 | 14,882,812 |
| Business-type Activities: | | | | | |
| Bonds Payable: | | | | | |
| Revenue | 72,975,000 | - | 360,000 | 72,615,000 | 380,000 |
| Obligations Under Capital Lease | 1,293,093 | 742,898 | 325,360 | 1,710,631 | 315,132 |
| Revenue Notes Payable | 70,128,428 | 6,623,273 | 5,800,783 | 70,950,918 | 6,843,192 |
| **Total Debt** | 144,396,521 | 7,366,171 | 6,486,143 | 145,276,549 | 7,538,324 |
| Accrued Compensated Absences | 1,682,137 | 923,452 | 789,546 | 1,816,043 | 790,000 |
| Total Business-type Activities | 146,078,658 | 8,289,623 | 7,275,689 | 147,092,592 | 8,328,324 |
| Total Primary Government | $ 243,391,442 | $ 19,154,817 | $ 20,925,123 | $ 241,621,136 | $ 23,211,136 |
| **Component Unit** | | | | | |
| Housing Commission | | | | | |
| Revenue Notes Payable | $ 647,033 | $ - | $ 30,202 | $ 616,831 | $ 30,219 |
| Accrued Compensated Absences | 73,765 | - | 2,413 | 71,352 | 40,091 |
| Total Component Unit | $ 720,798 | $ - | $ 32,615 | $ 688,183 | $ 70,310 |

# Notes to Financial Statements

## Individual Debt Issues by Fund

The following is a summary of the individual debt issues, listed by fund, of the City of Sioux Falls for the year ended December 31, 2008.

| | | Purpose | Outstanding Interest Rate | Maturity Date | Authorized Not Issued Amount | Issue Amount | Amount Outstanding | Maximum Annual Debt Service |
|---|---|---|---|---|---|---|---|---|
| **PRIMARY GOVERNMENT** | | | | | | | | |
| **Governmental Activities** | | | | | | | | |
| **Revenue Bonds & Notes** | | | | | | | | |
| Sales & Use Tax Fund | | | | | | | | |
| Series 2001A Sales Tax | * | Public Safety Construction | 4.25-5.50% | 2010 | $ - | $ 10,995,000 | $ 4,280,000 | $ 2,427,650 |
| Series 2007B Sales Tax | * | Library & Park Projects | 4.00-5.00% | 2027 | - | 25,570,000 | 25,570,000 | 2,047,463 |
| | | | | | - | | 29,850,000 | 4,475,113 |
| State Revolving Note #20 | *** | Storm Drainage Construction | 1.50% | 2017 | - | 25,949,349 | 22,300,240 | 2,799,273 |
| State Revolving Note #22 | * | Storm Drainage Construction | 2.50% | 2017 | - | 10,550,000 | 9,609,337 | 1,195,640 |
| | | | | | - | | 31,909,577 | 3,994,913 |
| Total Sales & Use Tax | | | | | - | | 61,759,577 | 8,470,026 |
| Entertainment Tax Fund | | | | | | | | |
| Series 2001B Ent/Sales Tax | ** | Partial Refunding (1993) | 3.80-5.50% | 2014 | - | 17,320,000 | 16,985,000 | 3,872,138 |
| Storm Drainage Fund | | | | | | | | |
| State Revolving Note #17 | | System Construction | 3.50% | 2015 | - | 561,320 | 364,490 | 66,608 |
| State Revolving Note #19 | | System Construction | 2.50% | 2016 | - | 415,785 | 330,757 | 47,079 |
| State Revolving Note #27 | | System Construction | 2.50% | n/a | 1,644,532 | 976,468 | 976,468 | n/a |
| Total Storm Drainage | | | | | 1,644,532 | | 1,671,715 | 113,687 |
| Tax Increment Financing Fund | | | | | | | | |
| 2008A Tax Increment | | Cherapa Place | 4.00-5.75% | 2028 | - | 2,290,000 | 2,290,000 | 375,413 |
| Neighborhood Revitalization Fund | | | | | | | | |
| Series 2008A Sales Tax | | Pettigrew Heights | 5.50% | 2015 | 3,965,740 | 1,034,260 | 1,034,260 | 1,091,144 |
| Special Assessment Fund | | | | | | | | |
| 2007 Bond Anticipation Notes | | Street Projects | 4.25% | 2009 | - | 5,449,390 | 5,449,390 | 5,680,989 |
| Total Revenue Bonds & Notes | | | | | 5,610,272 | | 89,189,942 | 8,583,713 |
| **Other Long-Term Liabilities** | | | | | | | | |
| Obligations Under Capital Lease | | City Hall Annex | 8.49% | 2014 | - | 1,424,763 | 639,088 | 123,467 |
| **Total Debt** | | | | | 5,610,272 | | 89,829,030 | 8,707,180 |
| Vested Compensated Absences | | Accrued Vacation & Sick Leave | | | n/a | | 9,254,017 | n/a |
| Total Governmental Activities | | | | | $ 5,610,272 | | $ 99,083,047 | $ 8,707,180 |
| **Business-type Activities** | | | | | | | | |
| **Revenue Bonds & Notes** | | | | | | | | |
| Public Parking | | | | | | | | |
| Series 2000 Parking System | | Parking Construction | 4.90-5.60% | 2014 | $ - | 5,075,000 | $ 2,615,000 | $ 526,007 |
| Water | | | | | | | | |
| Series 2007A Sales Tax | * | Lewis & Clark Regional Water System Prepayment | 3.75-5.00% | 2036 | - | 70,000,000 | 70,000,000 | 4,859,850 |
| State Revolving Note #1 | | System Construction | 4.50% | 2010 | - | 6,496,745 | 1,359,920 | 812,458 |
| State Revolving Note #2 | | System Construction | 4.50% | 2013 | - | 2,348,168 | 1,127,270 | 292,896 |
| State Revolving Note #3 | | System Construction | 3.50% | 2014 | - | 7,930,000 | 4,676,177 | 938,374 |
| State Revolving Note #4 | | System Construction | 3.50% | 2015 | - | 279,599 | 185,742 | 33,217 |
| State Revolving Note #5 | | System Construction | 2.50% | 2016 | 1,920,234 | 10,828,766 | 9,047,957 | 1,289,203 |
| State Revolving Note #6 | | System Construction | 2.50% | 2020 | 17,359,513 | 488,487 | 488,487 | n/a |
| State Revolving Note #7 | | System Construction | 2.50% | 2020 | 1,393,551 | 806,449 | 806,449 | n/a |
| State Revolving Note #8 | | System Construction | 2.50% | 2019 | 842,319 | 1,863,281 | 1,863,281 | n/a |
| Total Water | | | | | 1,920,234 | | 89,555,283 | 8,225,998 |
| Water Reclamation | | | | | | | | |
| State Revolving Note #1 | * | System Construction | 3.00% | 2012 | - | 2,836,963 | 640,688 | 188,802 |
| State Revolving Note #14 | | System Construction | 4.50% | 2012 | - | 4,888,537 | 1,966,257 | 608,240 |
| State Revolving Note #15 | | System Construction | 3.50% | 2014 | - | 1,467,706 | 917,743 | 174,162 |
| State Revolving Note #16 | | System Construction | 3.50% | 2015 | - | 2,479,500 | 1,639,968 | 299,692 |
| State Revolving Note #18 | | System Construction | 2.50% | 2016 | 220,886 | 3,730,114 | 3,063,475 | 436,047 |
| State Revolving Note #21 | | System Construction | 2.25% | 2027 | 5,416,130 | 30,317,506 | 28,616,497 | 1,878,917 |
| State Revolving Note #23 | * | System Construction | 2.50% | n/a | 13,856 | 10,309,144 | 10,084,124 | 1,168,972 |
| State Revolving Note #25 | | System Construction | 2.50% | n/a | 3,640,981 | 2,016,019 | 2,016,019 | n/a |
| State Revolving Note #26 | | System Construction | 2.50% | n/a | 3,464,759 | 279,241 | 279,241 | n/a |
| Total Water Reclamation | | | | | 12,756,612 | | 49,224,012 | 4,754,832 |
| Landfill | | | | | | | | |
| Solid Waste Management Program | | Landfill Improvements | | | - | 1,800,000 | 1,671,623 | 301,756 |
| State Revolving Note #24 | | Landfill Improvements | | | - | 500,000 | 500,000 | 78,083 |
| Total Landfill | | | | | - | | 2,171,623 | 379,839 |
| **Other Long-Term Liabilities** | | | | | | | | |
| Obligations Under Capital Lease | | Landfill Scrapers | 5.25% | 2012 | - | 1,528,108 | 1,125,965 | 600,000 |
| Obligations Under Capital Lease | | Landfill Dozer | 3.25% | 2012 | - | 742,898 | 584,665 | 158,232 |
| Obligations Under Capital Lease | | Fleet Motor Graders | 3.50% | 2013 | - | 928,111 | 729,293 | 198,818 |
| Total Obligations Under Capital Lease | | | | | - | | 2,439,923 | 957,050 |
| **Total Debt** | | | | | 14,676,846 | | 146,005,841 | 19,703,576 |
| Vested Compensated Absences | | Accrued Vacation & Sick Leave | | | n/a | | 1,816,044 | n/a |
| Total Business-type Activities | | | | | $ 14,676,846 | | $ 147,821,885 | $ 19,703,576 |
| | | | | | | | | |
| **COMPONENT UNIT** | | | | | | | | |
| **Housing Commission** | | | | | | | | |
| SDHDA Note | | Affordable Housing | 0.00% | 2025 | | 695,690 | $ 613,757 | $ 27,145 |
| Bank Note | | Affordable Housing | 6.50% | 2008 | | 221,500 | 3,074 | 3,074 |
| Vested Compensated Absences | | | | | | | 71,352 | 40,091 |
| Total Housing Commission | | | | | | | $ 688,183 | $ 70,310 |

* Secured by pledge of the second (.92%) penny sales and use tax.
** Secured by pledge of the second (.92%) penny sales and use tax and entertainment tax.
*** Secured by pledge of storm drainage revenues.

## Notes to Financial Statements

### Revenue Bonds Payable

Bonds payable at December 31, 2008, consist of two issues backed and serviced solely by the second penny (.92) sales tax (Sales and Use Tax Fund), two issues backed and serviced by the entertainment tax (Entertainment Tax Fund) and secondarily by the second penny sales tax, one issue backed and serviced by the revenues of the public parking system (Public Parking Enterprise Fund), and one issue backed by the second penny sales tax and serviced by the Water Fund as shown above.

Debt service requirements for these revenue bonds at December 31, 2008, are as follows:

| Entertainment Tax | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ 2,665,000 | $ 864,378 | $ 3,529,378 |
| 2010 | 3,035,000 | 749,782 | 3,784,782 |
| 2011 | 3,265,000 | 607,138 | 3,872,138 |
| 2012 | 3,410,000 | 427,562 | 3,837,562 |
| 2013 | 3,610,000 | 240,013 | 3,850,013 |
| 2014 | 1,000,000 | 55,000 | 1,055,000 |
| Totals | $ 16,985,000 | $ 2,943,873 | $ 19,928,873 |

| Sales and Use Tax | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ 3,165,000 | $ 1,310,113 | $ 4,475,113 |
| 2010 | 3,040,000 | 1,177,963 | 4,217,963 |
| 2011 | 1,010,000 | 1,025,463 | 2,035,463 |
| 2012 | 1,045,000 | 985,063 | 2,030,063 |
| 2013 | 1,085,000 | 943,263 | 2,028,263 |
| 2014 | 1,125,000 | 899,863 | 2,024,863 |
| 2015 | 2,199,260 | 854,863 | 3,054,123 |
| 2016 | 1,205,000 | 808,262 | 2,013,262 |
| 2017 | 1,255,000 | 760,062 | 2,015,062 |
| 2018 | 1,300,000 | 709,862 | 2,009,862 |
| 2019-2023 | 7,335,000 | 2,672,337 | 10,007,337 |
| 2024-2027 | 7,120,000 | 835,524 | 7,955,524 |
| Totals | $ 30,884,260 | $ 12,982,638 | $ 43,866,898 |

| Tax Increment | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ - | $ 55,831 | $ 55,831 |
| 2010 | - | 121,813 | 121,813 |
| 2011 | 25,000 | 121,813 | 146,813 |
| 2012 | 20,000 | 121,313 | 141,313 |
| 2013 | 20,000 | 120,413 | 140,413 |
| 2014 | 60,000 | 119,613 | 179,613 |
| 2015 | 105,000 | 118,013 | 223,013 |
| 2016 | 105,000 | 114,608 | 219,608 |
| 2017 | 110,000 | 110,198 | 220,198 |
| 2018 | 115,000 | 105,573 | 220,573 |
| 2019-2023 | 675,000 | 504,816 | 1,179,816 |
| 2024-2028 | 1,055,000 | 175,228 | 1,230,228 |
| Totals | $ 2,290,000 | $ 1,789,232 | $ 4,079,232 |

| Public Parking | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ 380,000 | $ 142,747 | $ 522,747 |
| 2010 | 400,000 | 122,608 | 522,608 |
| 2011 | 425,000 | 101,007 | 526,007 |
| 2012 | 445,000 | 78,058 | 523,058 |
| 2013 | 470,000 | 53,805 | 523,805 |
| 2014 | 495,000 | 27,720 | 522,720 |
| Totals | $ 2,615,000 | $ 525,945 | $ 3,140,945 |

| Water | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ - | $ 3,104,850 | $ 3,104,850 |
| 2010 | - | 3,104,850 | 3,104,850 |
| 2011 | - | 3,104,850 | 3,104,850 |
| 2012 | - | 3,104,850 | 3,104,850 |
| 2013 | 1,755,000 | 3,104,850 | 4,859,850 |
| 2014 | 1,815,000 | 3,039,038 | 4,854,038 |
| 2015 | 1,885,000 | 2,970,975 | 4,855,975 |
| 2016 | 1,960,000 | 2,898,138 | 4,858,138 |
| 2017 | 2,035,000 | 2,819,738 | 4,854,738 |
| 2018 | 2,120,000 | 2,738,338 | 4,858,338 |
| 2019-2023 | 11,995,000 | 12,011,437 | 24,006,437 |
| 2024-2028 | 14,825,000 | 8,789,237 | 23,614,237 |
| 2029-2033 | 18,435,000 | 5,172,162 | 23,607,162 |
| 2034-2036 | 13,175,000 | 1,269,912 | 14,444,912 |
| Totals | $ 70,000,000 | $ 57,233,225 | $ 127,233,225 |

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Arbitrage provisions of the Internal Revenue Service require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. Bond Counsel to the City is responsible for calculating arbitrage on a timely basis for each of the outstanding issues. As of December 31, 2008, the City had a rebatable arbitrage liability of $529,922, which was payable from the Water enterprise fund.

### Authorized Not Issued Revenue Bonds

The City is authorized to issue additional second penny sales tax revenue bonds in an amount up to $3,965,740 million, plus costs of issuance and debt service reserve funds, for the purpose of acquiring land and buildings as part of the City's urban revitalization program. It is anticipated that actual bond proceeds will be drawn on a project by project revolving basis over the next several years. The maximum interest rate is 6% with a maturity of no greater than 21 years.

## Notes to Financial Statements

### Subsequent Event - Revenue Bonds

The City has adopted an Ordinance, effective as of January 29, 2009, authorizing the issuance of sales tax revenue bonds in an amount not to exceed $38 million plus costs of issuance and debt service reserve funds. The bonds are to finance public improvement costs associated with the City's flood control risk reduction program along the Big Sioux River, Skunk Creek, and the diversion channel. As a portion of the bonds are expected to be repaid with funding from the Federal Corps of Engineers, the exact bond structure is unknown at the time of this report. Net interest costs of the bonds shall not exceed 12 percent and the bonds shall not mature later than 21 years from the date of issue.

### Obligations Under Capital Lease

The City has acquired certain land, buildings, and equipment under lease purchase agreements. The leases are treated as capital leases and the present value of the minimum lease payments is included in governmental and business-type debt. The balance includes:

| Fund | Description | Original Capitalized Value |
|---|---|---|
| **Governmental Activities** | | |
| Sales and Use Tax | City Hall Annex | $ 1,424,763 |
| **Business-type Activities** | | |
| Landfill | 2 Scrapers | $ 1,528,108 |
| Landfill | 1 Dozer | 742,898 |
| Fleet | 5 Motor Graders | 198,818 |
| | | $ 2,469,824 |

Future minimum payments under capital leases consist of the following at December 31, 2008:

| Capital Leases | | | |
|---|---|---|---|
| **Governmental Activities** | | | |
| **Year** | **Principal** | **Interest** | **Total** |
| 2009 | $ 71,966 | $ 51,501 | $ 123,467 |
| 2010 | 78,320 | 45,147 | 123,467 |
| 2011 | 85,234 | 38,233 | 123,467 |
| 2012 | 92,759 | 30,708 | 123,467 |
| 2013 | 100,948 | 22,519 | 123,467 |
| 2014 | 209,860 | 13,608 | 223,468 |
| Totals | $ 639,087 | $ 201,716 | $ 840,803 |
| **Business-type Activities** | | | |
| **Year** | **Principal** | **Interest** | **Total** |
| 2009 | $ 488,012 | $ 104,053 | $ 592,065 |
| 2010 | 507,920 | 84,145 | 592,065 |
| 2011 | 528,679 | 63,386 | 592,065 |
| 2012 | 915,311 | 41,739 | 957,050 |
| 2013 | 1 | - | 1 |
| Totals | $ 2,439,923 | $ 293,323 | $ 2,733,246 |

### Notes Payable

The City has entered into several notes payable with the South Dakota Conservancy District, which have provided funds for construction and maintenance of the storm drainage, water, and water reclamation systems. These funds are drawn as construction progresses. Several notes have balances available that have not been drawn and are so noted on the individual debt table on page 59. A complete amortization schedule will be provided upon completion or partial completion of the draw term. Thus, future debt service cannot be accurately determined until all projects for each note are completed.

The Sales and Use Tax notes will be repaid with revenues from the Sales and Use Tax Fund. The estimated debt service is as follows:

| Sales/Use Tax | | | |
|---|---|---|---|
| **Year** | **Principal** | **Interest** | **Total** |
| 2009 | $ 3,443,069 | $ 551,844 | $ 3,994,913 |
| 2010 | 3,504,796 | 490,117 | 3,994,913 |
| 2011 | 3,567,700 | 427,212 | 3,994,912 |
| 2012 | 3,631,807 | 363,105 | 3,994,912 |
| 2013 | 3,697,141 | 297,771 | 3,994,912 |
| 2014 | 3,763,727 | 231,186 | 3,994,913 |
| 2015 | 3,831,589 | 163,323 | 3,994,912 |
| 2016 | 3,900,756 | 94,157 | 3,994,913 |
| 2017 | 2,568,992 | 26,285 | 2,595,277 |
| Totals | $ 31,909,577 | $ 2,645,000 | $ 34,554,577 |

The Sales and Use Tax Fund currently has no available and undrawn notes payable from the South Dakota Conservancy District.

The Storm Drainage notes will be repaid with revenues from the Storm Drainage Fund. The estimated debt service is as follows:

| Storm Drainage | | | |
|---|---|---|---|
| **Year** | **Principal** | **Interest** | **Total** |
| 2009 | $ 93,899 | $ 19,788 | $ 113,687 |
| 2010 | 96,833 | 16,853 | 113,686 |
| 2011 | 99,863 | 13,824 | 113,687 |
| 2012 | 102,989 | 10,698 | 113,687 |
| 2013 | 106,216 | 7,471 | 113,687 |
| 2014 | 109,546 | 4,141 | 113,687 |
| 2015 | 51,029 | 1,601 | 52,630 |
| 2016 | 34,872 | 437 | 35,309 |
| Totals | 695,247 | $ 74,813 | $ 770,060 |
| Issues With No Estimate Available | 976,468 | | |
| Total | $ 1,671,715 | | |

The Storm Drainage Fund has $1,644,532 available and undrawn notes payable from the South Dakota Conservancy District.

## Notes to Financial Statements

The Water notes will be repaid with revenues from the Water Fund. The estimated debt service on these issues is as follows:

| Water | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ 2,857,018 | $ 463,367 | $ 3,320,385 |
| 2010 | 2,755,047 | 362,224 | 3,117,271 |
| 2011 | 2,227,534 | 280,393 | 2,507,927 |
| 2012 | 2,298,180 | 209,747 | 2,507,927 |
| 2013 | 2,149,025 | 139,230 | 2,288,255 |
| 2014 | 1,667,326 | 78,518 | 1,745,844 |
| 2015 | 1,209,813 | 41,931 | 1,251,744 |
| 2016 | 921,044 | 11,537 | 932,581 |
| Totals | 16,084,987 | $ 1,586,947 | $ 17,671,934 |
| Issues With No Estimate Available | 3,470,297 | | |
| Total | $ 19,555,284 | | |

The Water Fund has $1,920,234 available and undrawn notes payable from the South Dakota Conservancy District.

The Water Reclamation notes will be repaid with revenues from the Water Reclamation Fund. The estimated debt service is as follows:

| Water Reclamation | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ 3,629,735 | $ 1,121,561 | $ 4,751,296 |
| 2010 | 3,736,904 | 1,017,928 | 4,754,832 |
| 2011 | 3,844,537 | 910,295 | 4,754,832 |
| 2012 | 3,569,469 | 802,575 | 4,372,044 |
| 2013 | 3,241,086 | 716,704 | 3,957,790 |
| 2014 | 3,294,964 | 633,799 | 3,928,763 |
| 2015 | 2,952,383 | 556,526 | 3,508,909 |
| 2016 | 2,888,703 | 486,220 | 3,374,923 |
| 2017 | 2,626,735 | 421,153 | 3,047,888 |
| 2018 | 2,396,969 | 358,676 | 2,755,645 |
| 2019-2023 | 8,192,593 | 1,201,995 | 9,394,588 |
| 2024-2027 | 6,306,904 | 269,306 | 6,576,210 |
| Totals | 46,680,982 | $ 8,496,738 | $ 55,177,720 |
| Issues With No Estimate Available | 2,543,028 | | |
| Total | $ 49,224,010 | | |

The Water Reclamation Fund has $12,756,612 available and undrawn notes payable from the South Dakota Conservancy District.

The Landfill notes will be repaid with revenues from the Landfill Fund. The estimated debt service is as follows:

| Landfill | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ 327,792 | $ 52,049 | $ 379,840 |
| 2010 | 336,041 | 43,797 | 379,838 |
| 2011 | 344,501 | 35,338 | 379,839 |
| 2012 | 353,172 | 26,666 | 379,838 |
| 2013 | 362,062 | 17,776 | 379,838 |
| 2014 | 371,177 | 8,662 | 379,839 |
| 2015 | 76,878 | 1,205 | 78,083 |
| Totals | $ 2,171,623 | $ 185,493 | $ 2,357,116 |

### Subsequent Event - Revenue Notes

On February 9, 2009, the City approved additional revenue notes to be issued to the South Dakota Conservancy District for clean water and drinking water state revolving funds. The purposes of the loans are to make improvements to the water and waste water systems. The terms of the loans are to be ten years at a rate of 2.5 percent. The authorization included $4.3 million for water reclamation and $11.2 million for water.

### Bond Anticipation Notes (Special Assessment Bonds)

The City issued Bond Anticipation Notes (BANS) in an amount of $5.5 million for the purpose of providing interim financing of street improvement projects. The BANS carry an initial interest rate of 4.5 percent for a term not to exceed five years. The principal and interest on the BANS is payable solely from the proceeds received from Special Assessment Bonds. The City is obligated to issue Special Assessment Bonds prior to the maturity date of the BANS. The BANS and subsequent Special Assessment Bonds shall be issued pursuant to SDCL 9-25 and 9-43 and shall not constitute indebtedness of the City within the meaning of any constitutional or statutory provision or limitation.

As the BANS do not constitute a legal indebtedness of the City, they are not included as a long-term liability and are recorded within the financial statements as a current fund liability.

### Component Unit

The Housing Commission notes will be repaid with revenues from property rentals. The estimated debt service on these issues is as follows:

| Housing Commission | | | |
|---|---|---|---|
| Year | Principal | Interest | Total |
| 2009 | $ 30,219 | $ 19 | $ 30,238 |
| 2010 | 34,308 | - | 34,308 |
| 2011 | 40,234 | - | 40,234 |
| 2012 | 40,234 | - | 40,234 |
| 2013 | 40,234 | - | 40,234 |
| 2014-2018 | 201,170 | - | 201,170 |
| 2019-2023 | 201,170 | - | 201,170 |
| 2024-2025 | 29,262 | - | 29,262 |
| Totals | $ 616,831 | $ 19 | $ 616,850 |

## Notes to Financial Statements

### Accrued Compensated Absences

City employees are paid for accumulated vacation and sick leave upon retirement. Certain employees are also paid for a portion of excess sick leave on an annual basis. Accumulated vested compensated absences in governmental funds are recorded as a liability in the government-wide statements. Since this liability generally matures upon retirement, future maturities are not calculated.

### Legal Debt Limit

The City is subject to Article XIII, Section 4, of the South Dakota Constitution which limits the amount of bonded debt to a percent of the assessed valuation of the taxable property therein for the year preceding that in which said indebtedness is incurred. The categories are as follows:

1. Not to exceed 5 percent for the year preceding the year in which said indebtedness is incurred.
2. An additional indebtedness not to exceed 10 percent for the year preceding the year in which said indebtedness is incurred for the purpose of providing water and sewage, for irrigation, domestic uses, sewerage, and other purposes upon a majority vote in favor thereof of the electors.
3. An additional indebtedness not to exceed 8 percent for the year preceding the year in which said indebtedness is incurred for the purpose of constructing street railways, electric lights, or other electric plants upon a majority vote in favor thereof of the electors.

Accordingly, at December 31, 2008, the City has an available legal debt limit as follows:

**2008 Assessed Actual Value Subject to Taxation: $ 9,962,813,234**

| Category | Legal Debt Limit Percent | Legal Debt Limit Amount | Net Bonded Debt Outstanding | Available Legal Debt Margin |
|---|---|---|---|---|
| General Purpose 1 | 5.0% | $ 498,140,662 | $ 235,834,871 | $ 262,305,791 |
| Special Purpose 2 | 10.0% | 996,281,323 | - | 996,281,323 |
| Special Purpose 3 | 8.0% | 797,025,059 | - | 797,025,059 |
| | | $ 2,291,447,044 | $ 235,834,871 | $ 2,055,612,173 |

### I. Operating Leases

The City is a party to several operating leases for equipment, office space, and landfill site. The City has not entered into any operating leases with noncancelable terms as of December 31, 2008. The total rental expense for operating leases for the year ended December 31, 2008, was approximately $4,467,090.

Minimum future rentals do not include contingent rentals, which may be received during the lease period as stipulated in the various lease contracts.

### Note 4—Joint Ventures/Related Organizations

The City of Sioux Falls is a party to four joint ventures as described below:

1. The City of Sioux Falls and Minnehaha County jointly provide funding for the **Historical Museum Trust**. The Trust provides for operation of all City- and County-owned museums. Participation in the venture is funded equally. The City contribution to the venture for the year ended December 31, 2008, was $554,927 and is reflected as an expenditure in the General Fund. These activities are also recorded within the General Fund of the County and, accordingly, individual financial statements of the trust are not available. Complete financial statements for Minnehaha County can be obtained at their administrative offices located at 415 North Dakota Avenue in Sioux Falls, South Dakota. There is no debt specifically related to the trust. No future benefit or burden is anticipated other than the annual subsidy.
2. The City of Sioux Falls and Minnehaha County jointly provide funding for the **Siouxland Libraries**. The City received $818,634 from the County for operations during 2008. All activities of the library are recorded in the General Fund.

The City is responsible for all of the board appointments of the **Sioux Falls Regional Airport Authority**; however, the City is not financially accountable for the Authority because the City does not have the ability to impose its will on the Authority, nor does it have a financial relationship that results in either a burden or a benefit to the City.

## Notes to Financial Statements

### Note 5—Jointly Governed Organizations

The City, in conjunction with 13 other municipalities and five rural water systems within South Dakota, Iowa, and Minnesota that provide drinking water to consumers, is a member of the Lewis and Clark Regional Water System, Inc. (The "System"). The System will collect, treat, and distribute drinking water to the entities involved upon completion. The System is a critical supplemental water supply for the City's continued growth. The System's board of directors is comprised of 19 members, one from each participating entity. Under the articles of incorporation no member has a residual equity interest.

The City entered into an amended agreement with the System to increase the amount of drinking water from 10 million gallons per day to 28 million gallons per day to ensure that future supplemental water supply needs of the City can be met. Pursuant to Exhibit C revised September 25, 2007, of the Amended and Restated Commitment Agreement, it is estimated that the City of Sioux Falls' share of the $529.3 million (July 2007 dollars) System project is currently $84.6 million ($31.5 million for 11.007 million gallons per day of base system capacity and $53.2 million for 17 million gallons of expanded system capacity in July 2007 dollars. The City's investment to date of $30.9 million is recorded in the Water enterprise fund as an intangible asset. Of this total remaining commitment, the City has made a series of prepayment installments equal to $43.781 million (see Note 6). Any remaining cost share above the prepayment amount will be made as part of a true-up upon completion of the project. The City is capitalizing an intangible asset to recognize the upfront payment to the System for the future option to purchase water. Such asset will be amortized over the estimated life-span upon the receipt of benefits from the System.

### Note 6—Commitments and Contingencies

#### A. Commitments

At December 31, 2008, the City has commitments on construction projects totaling $91,863,378 as detailed in Note 3 (G).

The City has also entered into a commitment for base and expanded system costs for the Lewis and Clark Regional Water System as discussed in Note 5. An outstanding commitment of $43.781 million, in 2007 dollars, for base and expanded system costs remains as of December 31, 2008. The actual commitment costs may be higher due to cost indexing, construction over-runs, and decreases in federal funding. Once complete, the City is initially committed to the purchase of 2,751,750 gallons of raw or treated water per day with stipulations. The amended and restated commitment agreement and raw water license agreement are available for further information regarding the City's outstanding commitment to the System.

The Lewis and Clark Regional Water System Board approved the first amendment to the amended and restated commitment agreement on February 22, 2007. This amendment provided for the prepayment of the City of Sioux Falls' allocated project percentage, which will stop project inflation on the City's share of the $64.281 million (2007 dollars) estimated project costs as the prepayment dollars are obligated. The amendment provided that prepayment would be made in three annual installments beginning in 2007. To fund the pre-payment, the City issued sales tax revenue bonds in the amount of $70 million as discussed in Note H. The City has one remaining payment in the amount of $33.531 million, which is due on May 1, 2009.

The Electric Light Fund purchases power from the Western Area Power Association and has a supplemental commitment to meet all remaining power requirements from Heartland Consumers Power District until December 31, 2016.

The City has entered into a contract with the Department of the Army to construct a flood control structure to protect the City from future flooding of the Big Sioux River and Skunk Creek. The total project cost is estimated to be $53,645,800, of which the City is responsible for a minimum of 25 percent, but not to exceed 50 percent. Total costs as of December 31, 2008, are $29,000,000. The City's share is recorded in the Sioux Falls Flood Control Capital Projects Fund. The State of South Dakota has contributed $2,900,000 to help fund this project. Phase I and IIA of the project has been booked to capital assets. The remainder of phase II remains in construction-in-progress.

#### B. Contingent Liabilities

**Litigation**

The City is a defendant in various lawsuits. The City's legal counsel estimates that the potential claim against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City. No reserve has been recorded for any such liability arising out of the current pending litigation.

**Solid Waste Landfill Closure and Post-closure Care Costs**

The City owns and operates a landfill site located west of the city. State and federal laws will require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The City recognizes a portion of the closure and post-closure care costs in each operating period even though actual payments will not occur until the landfill is closed. The amount recognized each year is based on the landfill capacity used as of December 31. The change in the liability for the year ended December 31, 2008, is as follows:

| CHANGE IN LIABILITY | Amount |
|---|---|
| Balance at January 1 | $ 5,375,940 |
| Costs incurred in 2008 | 22,946 |
| Change in liability due to usage and revision of estimates | 622,022 |
| Balance at December 31 | $ 6,020,908 |

## Notes to Financial Statements

As of December 31, 2008, the City estimates are as follows:

| Site | Used to date | Recognized Liability | Remaining Liability | Remaining Life (Years) |
|---|---|---|---|---|
| Solid Waste #1 | 97.5% | $ 5,769,668 | $ 148,183 | 1.0 |
| Solid Waste #2 | 2.2% | 33,774 | 1,521,577 | 32.0 |
| Rubble/Asbestos | 24.7% | 217,466 | 661,455 | 30.0 |
| Totals | | $ 6,020,908 | $ 2,331,215 | |

The future estimated liability for these costs will be recognized as the remaining capacity is used. The estimated costs of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

By local ordinance as well as state and federal laws, the City is required to establish a fund to accumulate assets needed for the actual payment of closure and postclosure care costs. Currently, assets reported as cash and cash equivalents on the combined balance sheet include $5,980,664 held for this purpose.

### Note 7—Risk Management

The City's risk management activities are recorded in the City Health/Life Benefit, Insurance Liability, and Workers' Compensation Funds. The purpose of these funds is to administer employee life, health, property and liability, and worker's compensation programs of the City on a cost-reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City.

Significant losses are covered by commercial insurance for all major programs except workers' compensation, for which the City retains the risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for this year or the prior two years.

The City of Sioux Falls participates in the South Dakota Public Assurance Alliance (SDPAA) which provides liability coverage to the City. A vested balance in the SDPAA Cumulative Reserve is held in reserve by SDPAA for the City of Sioux Falls and is refundable upon termination or withdrawal in good standing from the Alliance. This balance is recorded as a deposit in the Insurance Liability Fund.

The City has reported approximate aggregate liabilities in the Health/Life Benefit Fund as follows:

| | 2007 | 2008 |
|---|---|---|
| Balance January 1 | $ 1,100,000 | $ 1,300,000 |
| Claims incurred during the year | 10,462,873 | 9,423,186 |
| Payments on claims during the year | (10,262,873) | (9,423,186) |
| Balance December 31 | $ 1,300,000 | $ 1,300,000 |

The Workers' Compensation Fund has designated cash of $1,964,354 at December 31, 2008, which represents the present value of known claims against the fund.

Unemployment compensation is charged as a current expense/expenditure to the respective funds as incurred.

#### Component Units

The Housing Commission and Metro Communications Agency manage risk by purchasing insurance from commercial insurance carriers for liability, workers' compensation, and employee health insurance. Paying into the unemployment compensation fund established by state law, and managed by the State of South Dakota, covers unemployment benefits.

### Note 8—Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue/Economic Development Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are not general obligations, but are special, limited obligations, of the issuer, payable solely out of the revenues derived from the Agreement and pledged and assigned for their payment in accordance with the indenture. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2008, there were seven series of Industrial Revenue/Economic Development Bonds outstanding, with an aggregate principal amount payable of $47,374,000.

### Note 9—Defined Benefit Pension and Other Post-Employment Benefit Plans

#### A. Defined Benefit Pension Plans

#### Plan Description

The City of Sioux Falls administers two separate single-employer defined benefit pension plans established to provide retirement, disability, and survivor benefits for substantially all of its employees. The City Employee's Retirement System (CERS) and the City Firefighters' Pension Fund (CFPF) are considered to be part of the City of Sioux Falls' financial reporting entity and are included in the City's financial reports as Pension Trust funds; therefore, they do not issue stand-alone financial reports nor are they included in the report of another entity. Each plan's assets may be used only for the payment of benefits to the members of that plan or for payment of administrative expenses, in accordance with the terms of the plan as established or amended by City ordinance.

The CERS membership includes all uniformed and non-uniformed officers and employees who have certified civil service status and are not members or retirees of the CFPF, all officers and employees who are appointed by the Mayor and/or Council, and the Mayor. The CERS has two divisions, general and police. The police division covers all uniformed non-civilian police officers and the general division includes all members not included in the police

## Notes to Financial Statements

division. The CFPF membership includes all non-civilian full-time officers and firefighters of the City.

CERS general member employees are vested upon five years of service. CERS police and CFPF member employees become vested upon 15 years of service. All members of the CERS and CFPF are eligible for an actuarially reduced benefit upon completion of 20 years of service.

### Summary of Significant Accounting Policies

*Basis of Accounting*. The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles applicable to governmental accounting for pension trust funds. Plan member contributions are recognized in the period in which the contributions are due. City contributions to each plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

*Method Used to Value Investments*. Investments are reported at fair value to properly reflect the asset values of the fund at December 31, 2008. Fair values were determined based on closing market prices for those securities traded on national and international exchanges. Securities without an established market are reported at estimated fair value. As of December 31, 2008, and the year then ended, the funds held no securities issued by the City or related parties.

### Funding Policy & Contributions

CERS general division member employees contribute 3 percent of their gross earnings and police division member employees contribute 8 percent of their gross earnings. CFPF member employees contribute 8 percent of their gross earnings. The employee contribution rates are established by City ordinance. Employer contributions are established by actuarial valuations determined necessary to cover: 1) all administrative costs; 2) the actuarially determined cost of future benefits accruing to members during the year; and 3) an amount sufficient to amortize any unfunded liability of the system over a period of 16 years.

| CERS | | | |
|---|---|---|---|
| | Computed Annual Required Contributions | Actual Contributions | Percentage Contributed |
| 2006 | $ 4,717,920 | $ 4,928,487 | 100% |
| 2007 | 5,160,605 | 5,373,132 | 100% |
| 2008 | 4,907,566 | 4,889,940 | 100% |

| CFPF | | | |
|---|---|---|---|
| | Computed Annual Required Contributions | Actual Contributions | Percentage Contributed |
| 2006 | $ 1,526,731 | $ 1,683,121 | 100% |
| 2007 | 1,669,043 | 1,826,253 | 100% |
| 2008 | 1,657,685 | 1,695,167 | 100% |

### Funding Status and Funding Progress

The funded status of each plan as of December 31, 2008, the most recent actuarial valuation date, is as follows:

| | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|---|---|---|---|---|---|---|
| CERS | $ 241,785 | $ 261,167 | $ 19,382 | 92.6% | $ 46,433 | 41.7% |
| CFPF | 92,122 | 100,977 | 8,855 | 91.2% | 10,462 | 84.6% |

Dollar amounts above are in thousands

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

Actuarial methods and assumptions are as follows:

| | |
|---|---|
| Valuation Date | December 31, 2008 |
| Actuarial Cost Method | Entry-Age |
| Amortization Method | Level percent closed |
| Remaining Amortization Period | 15 years |
| Asset Valuation Method | 5 year smoothed market |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.75% |
| Projected Salary Increases* | 4.25% - 8.25% |
| *Includes Inflation at | 4.25% |
| Cost-of-Living Adjustments | June CPI with 3% cap beginning 36 months after retirement |

Membership of the plans consisted of the following at December 31, 2008, the date of the last actuarial valuation:

| | CERS | CFPF |
|---|---|---|
| Retirees and beneficiaries receiving benefits | 436 | 141 |
| Vested former members not yet receiving benefits | 49 | 4 |
| Active plan members | 899 | 182 |
| Total | 1,384 | 327 |

### B. Post-Employment Health Care Benefits

### Plan Description

In addition to providing the pension benefits described above, City ordinance, pursuant to SDCL 6-1-16, provides for other post-employment health care benefits (OPEB) for eligible retired employees through continued participation in the City's single employer self-insured Health/Life Benefit Fund (Plan). The Plan, which includes both active and retired members, is an internal service fund of the City and is included within the scope of this report; therefore, it does not issue a stand-alone financial report nor is it included in the report of another entity. The benefit, benefit levels, and contribution rates are governed by the City.

## Notes to Financial Statements

The Plan provides health care benefits for eligible retired employees and beneficiaries up to the age of Medicare eligibility. The benefit levels are the same as those afforded to active employees and include both health and dental coverage. City employees are eligible for post-retirement health care benefits if they are entitled to a retirement allowance and have participated in the Plan at least five years immediately preceding separation from City employment.

The City pension trust collects employer contributions to fund future benefits. Upon retirement, the cost of premiums required to be paid to the Plan are then split equally between the retired employee and the pension trust.

Membership of the plans consisted of the following at December 31, 2008, the date of the last actuarial valuation:

| | CERS | CFPF |
|---|---|---|
| Retirees and beneficiaries receiving benefits | 135 | 49 |
| Active plan members | 899 | 182 |
| Total | 1,034 | 231 |

### Summary of Significant Accounting Policies

The City follows the same accounting policies in accounting for post-employment retiree health care benefits as for the defined benefit pension plan described above.

### Funding Policy & Contributions

The City has historically pre-funded other post-retirement health care benefits on an actuarial basis not in compliance with Governmental Accounting Standards Board (GASB) Statement No. 45 on OPEB. This historical funding was based upon the use of a blended premium rate for calculating active employee and retiree premiums. The 2008 annual actuarial valuation for OPEB as reported in the required supplementary information to this report, as well as the City's contribution rate for future years, are based upon funding OPEB in compliance with GASB Statement No. 45.

| | CERS | | |
|---|---|---|---|
| | Computed Annual Required Contributions | Actual Contributions | Percentage Contributed |
| 2007 | $ 2,501,513 | $ 2,523,357 | 100% |
| 2008 | 2,816,421 | 2,820,846 | 100% |

| | CFPF | | |
|---|---|---|---|
| | Computed Annual Required Contributions | Actual Contributions | Percentage Contributed |
| 2007 | $ 867,630 | $ 890,208 | 100% |
| 2008 | 981,756 | 990,738 | 100% |

### Funding Status and Funding Progress

The funded status of each plan as of December 31, 2008, the most recent actuarial valuation date, is as follows:

| | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|---|---|---|---|---|---|---|
| CERS | $ 10,719 | $ 32,931 | $ 22,212 | 32.5% | $ 46,433 | 47.8% |
| CFPF | 3,296 | 10,707 | 7,410 | 30.8% | 10,462 | 70.8% |

Dollar amounts above are in thousands

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

The information as presented in the required supplementary schedules was determined as part of the annual actuarial valuations using the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | December 31, 2008 |
| Actuarial Cost Method | Entry-Age |
| Amortization Method | Level percent closed |
| Remaining Amortization Period | 27 years |
| Asset Valuation Method | 5 year smoothed market |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.75% |
| Medical Inflation Rate | 10.0% graded down to 4.25% in 2018 |

### Individual Pension Plan Financial Statements

Individual financial statements for the City's two defined benefit pension plans are presented on the following pages.

## Notes to Financial Statements

### Component Units

#### Housing Commission Retirement Plan

All eligible employees of the Housing Commission participate in the Housing Renewal and Local Agency Retirement Plan, a cost sharing, multiple-employer public employee retirement system to provide retirement benefits for employees of local or regional housing authorities and commissions, urban renewal agencies, and other organizations that are eligible to participate in this plan subject to the approval of the agreement. Eligible employees are defined as staff scheduled to work 20 or more hours per week after attaining age 18 and completing one year of continuous and uninterrupted employment. The right to receive retirement benefits is 20 percent vested after one year credited service up to 100 percent vested after five years credited service. Authority for establishing, administering, and amending plan provisions is found in Internal Revenue Code Section 401(a). The Automated Data Processing (ADP) Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ADP Retirement Services, 462 South 4th Avenue, Suite 900, Louisville, KY 40202, or by calling (502) 561-4550. On June 24, 2002, the Housing Commission adopted Resolution No. 268-06-02 effective July 1, 2002, which implemented a mandatory after-tax employee contribution to the plan of 1 percent of basic compensation, and a corresponding employer contribution of 4 percent of basic compensation addition. The resolution permitted employees to voluntarily contribute additional after-tax amounts in excess of the 1 percent mandatory amount, which would be treated as voluntary contributions, and for which the employer would contribute additional corresponding amounts up to a maximum of 7 percent. The Housing Commission also changed the vesting provisions of the plan. Previously, the employer contributed 13 percent of basic compensation to the plan, such that 5.5 percent of those employer contributions were non-forfeitable, and the remaining 7.5 percent were subject to the plan's vesting schedule. Beginning July 1, 2002, the full amount of the employer's contributions will be subject to the plan's vesting schedule of 20 percent for each year of the employee's participation in the plan. During the years ended September 30, 2008, 2007, and 2006, the cost to the Commission was $45,640, $37,140, and $38,698, respectively.

#### Metro Communications Agency Retirement Plan

All full-time employees participate in the South Dakota Retirement System (SDRS). SDRS is a multiple-employer, cost sharing qualified defined benefit pension plan under section 401(a) of the Internal Revenue Code and is administered by the South Dakota Retirement System Board of Trustees. It was established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions.

The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Members and employers make matching pre-tax contributions, which are defined by state statute. Contributions are deposited in trust fund and invested for the exclusive benefit of members and beneficiaries. Interest is deposited once yearly on June 30th.

As General Member, benefits and administrative expenses are funded by member and employer contributions of 6% each of employee compensation and investment income. State statute also requires the employer to contribute in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for General Employees only.

During the year ended December 31, 2008, the cost to the Agency was $107,190.

## Notes to Financial Statements - Fiduciary Funds Statement of Net Assets

| | Employee's Retirement | Firefighters' Pension | Total Pension Trust Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and Cash Equivalents | $ 2,234,128 | $ 520,781 | $ 2,754,909 |
| Receivables: | | | |
| Accounts | 205,839 | 72,536 | 278,375 |
| Interest | 692,512 | 262,246 | 954,758 |
| Total Receivables | 898,351 | 334,782 | 1,233,133 |
| Investments at Fair Value: | | | |
| US Government | 2,185,036 | 769,246 | 2,954,282 |
| Corporate Obligations | 25,012,493 | 10,924,212 | 35,936,705 |
| Foreign Obligations | 7,912,242 | 2,289,896 | 10,202,138 |
| State and Local Obligations | 414,107 | 166,595 | 580,702 |
| Domestic Stocks | 33,807,919 | 12,916,682 | 46,724,601 |
| Foreign Stocks | 3,093,671 | 1,173,845 | 4,267,516 |
| Index Funds: | | | |
| Equity | 29,744,877 | 11,246,391 | 40,991,268 |
| Government / Corporate Bonds | 25,370,288 | 9,883,236 | 35,253,524 |
| Mutual Funds: | | | |
| Foreign Equity | 32,144,643 | 11,878,547 | 44,023,190 |
| Domestic Equity | 15,893,343 | 5,989,070 | 21,882,413 |
| Real Estate | 8,607,992 | 3,324,087 | 11,932,079 |
| Total Investments | 184,186,611 | 70,561,807 | 254,748,418 |
| Total Assets | 187,319,090 | 71,417,370 | 258,736,460 |
| **Liabilities** | | | |
| Accrued Wages | 2,552 | 1,547 | 4,099 |
| Total Liabilities | 2,552 | 1,547 | 4,099 |
| **Net Assets** | | | |
| Held in Trust for Pension and Health Benefits | $ 187,316,538 | $ 71,415,823 | $ 258,732,361 |

## Notes to Financial Statements - Fiduciary Funds Changes in Net Assets

| | Employee's Retirement | Firefighters' Pension | Total Pension Trust Funds |
|---|---|---|---|
| **Additions** | | | |
| Contributions | | | |
| Employer | $ 7,710,786 | $ 2,685,906 | $ 10,396,692 |
| Plan Members | 2,065,615 | 856,843 | 2,922,458 |
| Total Contributions | 9,776,401 | 3,542,749 | 13,319,150 |
| Investment Income (Loss) | (71,138,090) | (26,092,662) | (97,230,752) |
| Less Investment Expense | 492,494 | 209,091 | 701,585 |
| Net Investment Income (Loss) | (71,630,584) | (26,301,753) | (97,932,337) |
| Total Additions | (61,854,183) | (22,759,004) | (84,613,187) |
| **Deductions** | | | |
| Benefit Payments | | | |
| Pension | 10,005,007 | 4,440,801 | 14,445,808 |
| Health Premiums | 763,262 | 329,351 | 1,092,613 |
| Total Benefit Payments | 10,768,269 | 4,770,152 | 15,538,421 |
| Refunds | 275,474 | 22,529 | 298,003 |
| Administrative Expense | 173,665 | 94,707 | 268,372 |
| Total Deductions | 11,217,408 | 4,887,388 | 16,104,796 |
| Net Increase (Decrease) | (73,071,591) | (27,646,392) | (100,717,983) |
| **Total Net Assets, January 1** | 260,388,129 | 99,062,215 | 359,450,344 |
| **Total Net Assets, December 31** | $ 187,316,538 | $ 71,415,823 | $ 258,732,361 |

# APPENDIX C

# FORM OF OPINION OF BOND COUNSEL

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LINDQUIST & VENNUM P.L.L.P.

4200 IDS CENTER
80 SOUTH EIGHTH STREET
MINNEAPOLIS, MN 55402-2274
TELEPHONE: 612-371-3211
FAX: 612-371-3207

IN DENVER:
600 17TH STREET, SUITE 1800 SOUTH
DENVER, CO 80202-5441
TELEPHONE: 303-573-5900
FAX: 303-573-1956

ATTORNEYS AT LAW

www.lindquist.com

City of Sioux Falls
Sioux Falls, South Dakota

**Re: $20,265,000 City of Sioux Falls, South Dakota Sales Tax Revenue Bonds, Series 2009A**

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Sioux Falls, South Dakota (the "City") in connection with the authorization, sale and issuance by the City of the bonds described above, dated, as originally issued, July 21, 2009 in the aggregate principal amount of $20,265,000 (the "Series 2009A Bonds"). For the purpose of this opinion, we have examined certified copies of certain proceedings taken and certain certificates and affidavits furnished by the City in the authorization, sale and issuance of the Series 2009A Bonds, including (i) the form of the Series 2009A Bonds, (ii) an ordinance adopted by the City Council on May 18, 2009 and (iii) an Indenture of Trust, as so supplemented (the "Indenture"), dated as of August 15, 1988, as amended and supplemented including a Fourteenth Supplemental Indenture, dated as of July 1, 2009. From our examination of such proceedings, certificates and affidavits, assuming the authenticity thereof, the genuineness of the signatures thereon and the accuracy of the facts stated therein, and on the basis of federal and South Dakota laws, regulations, rulings and decisions enacted, promulgated or rendered and in effect on the date hereof, in our opinion:

1. The Series 2009A Bonds are valid and binding special obligations of the City enforceable in accordance with their terms. The Series 2009A Bonds are not general obligations of the City and the general credit and taxing powers of the City are not pledged to the payment of the principal thereof or interest thereon.

2. The principal of and interest on the Series 2009A Bonds are payable from the collections of certain local sales taxes constituting the Pledged Sales Taxes, as defined in the Indenture, pledged to the payment thereof, and the Series 2009A Bonds, together with any other bonds issued heretofore and any other bonds issued hereafter on a parity therewith (collectively, the "Bonds"), constitute a lien on the Pledged Sales Taxes.

3. In and by the Indenture the City has validly made and entered into covenants and agreements with and for the benefit of the owners from time to time of all Bonds issued thereunder, including covenants that it will credit the Pledged Sales Tax as received to the appropriate funds; that additional bonds and refunding bonds may be issued and made payable from the Bond Fund on a parity with the Bonds upon certain conditions set forth in the Indenture, but no obligation will be otherwise incurred and made payable from the Pledged Sales Tax, unless the lien thereof shall be expressly made subordinate to the lien of the Series 2009A Bonds on the Pledged Sales Tax; and that all provisions for the security of the owners of the Series 2009A Bonds as set forth in the Indenture will be punctually and faithfully performed as therein stipulated.

4. All conditions precedent to the issuance of the Series 2009A Bonds as Additional Bonds under the Indenture have been fulfilled. The exemption from federal income tax of the interest on the Series 1996A Bonds, the Series 1996B Bonds, the Series 1999 Bonds, the Series 2001B Bonds, the Series 2004 Bonds, the Series 2006A Bonds, the Series 2006B Bonds, the Series 2007A Bonds, the Series 2007B Bonds and the Series 2008A Bonds (as defined in the Indenture) will not be affected by the issuance of the Series 2009A Bonds.

5. Interest to be paid on the Series 2009A Bonds is not includable in gross income for federal income tax purposes, but the interest is includable in gross income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. Interest on the Series 2009A Bonds is not includable in adjusted current earnings in determining alternative minimum taxable income of corporations for purposes of the federal alternative minimum tax imposed on corporations.

The opinions expressed in paragraphs 1 through 3 above, are subject to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the exercise of judicial discretion.

The opinions expressed in paragraph 5 above are subject to the condition of the City's compliance with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2009A Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes, and the Series 2009A Bonds be and continue to be qualified tax-exempt obligations. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Series 2009A Bonds in federal gross income retroactive to the date of issuance of the Series 2009A Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Series 2009A Bonds.

Dated: July 21, 2009.

Very truly yours,

# APPENDIX D

# BOOK-ENTRY ONLY SYSTEM

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*The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by The Depository Trust Company entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.*

The Depository Trust Company, New York, New York will act as securities depository for the Series 2009A Bonds. The Series 2009A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity, specified on the cover page hereof, in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over eighty-five countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. Bonds brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of the Series 2009A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements

of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Series 2009A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2009A Bonds, except in the event that use of the book-entry system for the Series 2009A Bonds is discontinued or an entire maturity is transferred.

To facilitate subsequent transfers, all Series 2009A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2009A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Series 2009A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent, on payable date in accordance with their respective holding shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of

such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2009A BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2009A BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2009A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2009A BONDS; OR (VI) ANY OTHER MATTER.

# APPENDIX E

# SUMMARY OF CONTINUING DISCLOSURE

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The following is a brief summary of certain provisions of the Continuing Disclosure Agreement relating to the Series 2009A Bonds and does not purport to be complete or definitive and investors should refer to the Continuing Disclosure Agreement for a complete recital of its terms. A copy of the Continuing Disclosure Agreement is available upon request from the Trustee.

In order to permit the Underwriter and other participating underwriters of the Series 2009A Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (as in effect and interpreted from time to time, the "Rule"), the City will covenant and agree, for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2009A Bonds, in a Continuing Disclosure Agreement, dated as of December 1, 2007, between the City and the Trustee, as agent (the "Continuing Disclosure Agreement"), to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described. The City is the only "obligated person" in respect of the Series 2009A Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The City has not defaulted under a continuing disclosure undertaking it has entered into under the Rule.

As used herein, "Owner" or "Series 2009A Bondowner" means, in respect of a Series 2009A Bond, the registered owner or owners thereof appearing in the bond register maintained by the Trustee or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee. As used herein, "Beneficial Owner" means, in respect of a Series 2009A Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2009A Bond (including persons or entities holding Series 2009A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series 2009A Bond for federal income tax purposes.

As used herein, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2009A Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under the Continuing Disclosure Agreement or information generally available to the public. Notwithstanding the foregoing, a "Material Fact" is also an event that would be deemed "material" for purposes of the purchase, holding or sale of a Series 2009A Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

**Information To Be Provided**

*Annual Information*

The City will agree that on or before 180 days after the end of each fiscal year commencing with the fiscal year ending December 31, 2006, it will deliver to the Trustee certain financial information and operating data relating to the City for the preceding fiscal year of the City as hereinafter specified (the "Disclosure Information"), accompanied by a City certificate

stating in effect that such information is the City Disclosure Information required to be submitted under the Continuing Disclosure Agreement.

The Disclosure Information comprises the following (subject to modification as described below):

(1) A complete audit report and opinion of an Accountant and the statements of financial position of the City for such fiscal year, containing a balance sheet as of the end of such fiscal year and a statement of changes in net assets and statement of cash flows for the fiscal year then ended, and showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board applicable to entities such as the City as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City noting the discrepancies therefrom and the effect thereof.

(2) To the extent not included in the financial statements referred to in paragraph (1) hereof, the information of the type identified below, which information may be unaudited, but shall be certified as to accuracy and completeness in all material respects by the chief financial officer of the City to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources:

The following financial information and operating data as of the beginning or end of the most recent complete academic or fiscal year, as appropriate:

a. The matters covered by the Sections of Appendix A to this Official Statement entitled:

Demographics
City Services
Construction
Major Employers
Financial Information
Future Financing
City Obligations

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City will agree to provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City is to provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if updated as required by the Continuing Disclosure Agreement, from other documents, including official statements, which have been submitted to each then nationally recognized municipal securities information repository under the Rule provided that, from and after July 1, 2009, the

Electronic Municipal Market Access System ("EMMA") operated by the MSRB as a National Repository shall be the primary repository for continuing disclosure under the Rule (collectively, the "National Repositories") to the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board (the "MSRB"). The City will agree to clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the School determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Continuing Disclosure Agreement is amended in accordance with its terms, then the City is to include in the next Disclosure Information to be delivered, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

*Certain Events*

The City is also to provide to the Trustee timely notice of any of the following events or conditions which is a Material Fact (as used herein, the "Material Events"):

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the security;

(7) Modifications to rights of security holders;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the securities; and

(11) Rating changes.

The City notes that, since on the date of issue there is no credit enhancement securing the Series 2009A Bonds, the events listed in clauses (4) and (5) may not be applicable.

The City also agrees to notify the Trustee promptly of any change in the fiscal year and of any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared (the "Other Events").

**Disclosure of Information**

The Trustee is authorized and directed to make available to the entities identified below the following information in a timely manner by telecopy, overnight delivery, mail or other means, as appropriate:

(a) the Disclosure Information to each of the National Repositories; provided, however, that any filing with a Repository under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council ("MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretative advice in its letter to MAC dated September 7, 2004;

(b) any Material Event reported to the Trustee by the City in the form provided by the City, to the MSRB and to the State Depository, if any;

(c) the failure of the City to provide the Disclosure Information required to be provided to the Trustee under the Continuing Disclosure Agreement, within 180 days after the fiscal year, to the MSRB and to the State Depository, if any;

(d) any amendment of or supplement to the Continuing Disclosure Agreement entered into in accordance with the provisions thereof, together with a copy of such amendment or supplement and any explanation thereof provided by the City pursuant to the Continuing Disclosure Agreement, to the MSRB and to the State Depository, if any;

(e) the termination of the obligations of the City under the Continuing Disclosure Agreement in respect of the Series 2009A Bonds, to the MSRB and to the State Depository, if any; and

(f) any Other Event reported by the City to the Trustee, to the MSRB and the State Depository, if any.

At the written request of the City, the Trustee is also to furnish promptly to the Repositories a copy of any other information provided by the City for such dissemination.

**Disclosure to Bondowners**

Nothing in the Continuing Disclosure Agreement is intended to limit the ability of the Trustee to communicate with the Bondowners in such manner and at such times as it shall

deem appropriate in executing the trusts under the Indenture. The Trustee is not required to forward any such communication to the Repositories, unless and only to the extent it is specifically described under "Disclosure of Information" above.

**Term**

The Continuing Disclosure Agreement is to remain in effect so long as any Series 2009A Bonds are Outstanding. The Continuing Disclosure Agreement is to terminate, however, as of any date on which the City delivers to the Trustee an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with this Agreement will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

**Costs, Expenses and Indemnification of Trustee**

The City will agree to pay reasonable compensation of the Trustee for, and all costs and expenses of the Trustee incurred in, performing the services required of it under the Continuing Disclosure Agreement, whether as agent for the City or otherwise. The Trustee shall have the right to use and apply Trust Money, to the extent provided in the Indenture, for such compensation.

The City will further agree to indemnify and hold harmless the Trustee and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorneys' fees and expenses) which such indemnified party may incur by reason of or in connection with the Trustee's disclosure of information pursuant to the Continuing Disclosure Agreement unless caused by the willful misconduct or negligence of the Trustee in such disclosure of information.

**Defaults, Remedies**

Failure of the City or the Trustee to comply with any provisions of the Continuing Disclosure Agreement on its part to be observed constitutes a default thereunder and any party thereto aggrieved thereby, including the Owners of any Outstanding Series 2009A Bonds as third-party beneficiaries thereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein. Direct, indirect, consequential and punitive damages, however, shall not be recoverable by any Person for any default thereunder and are waived to the extent permitted by law. In no event shall a default under the Continuing Disclosure Agreement constitute a default or an Event of Default under the Series 2009A Bonds or the Indenture.

In addition to the foregoing remedies, in the event the City breaches its covenant to provide the City Disclosure Information to the Trustee by the dates prescribed therefor, and such breach continues until the date 270 days after the end of the fiscal year as to which such disclosure is to be made, then the Trustee is to make available promptly to the Repositories notice of such failure.

**Binding Effect**

The Continuing Disclosure Agreement is to inure to the benefit of and be binding upon the City and the Trustee and their respective successors and permitted assigns (including any permitted successor to the City under the Indenture); provided, however, that in the event another Person succeeds to the obligations and agreements of the City under the Continuing Disclosure Agreement, the City Disclosure Information may be modified to the extent permitted as described under "Amendments; Interpretation."

**Amendments; Interpretation**

The Continuing Disclosure Agreement (and the form and requirements of the Disclosure Information) may be amended or supplemented from time to time, without notice to or the consent of the Owners of any Series 2009A Bonds in a writing executed by the City and the Trustee (and the consent of the Trustee to such an amendment is not to be unreasonably withheld or delayed) accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of business conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) the Continuing Disclosure Agreement as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2009A Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule. The Continuing Disclosure Agreement is to be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.